ANNUAL REPORT OF THE HEALTH SERVICE SYSTEM 1958 - 1959

The Health Service System, established in March 1937 by Charter Amendment, has been in full operation since October 1938. Its constitutionality and the legality of its compulsory membership have been established in the courts. Throughout the years there has been a consistent pattern of progressive change in the System with improvement in benefits for members and their families, and necessary changes in contribution rates to meet the increasing costs of medical services.

The original Plan providing for payment by the System for its members for services by doctors, laboratories, and hospitals was implemented, commencing in 1947, by the addition of three Alternate Plans of medical care, so that at the present time the Health Service System provides: Plan I, its own Medical-Hospital Plan; Plan II, the Kaiser Foundation Health Plan; Plan III, the Ray E. Harris, M. D. and Staff Plan; and Plan IV, the Boe Medical Group.

The approval of Charter Amendment Proposition "K" by the electorate of San Francisco on November 5, 1957, and its ratification on February 5, 1958, placed in operation those changes in the Health Service System which were the outgrowth of the efforts of the Committee to Improve the Health Service System and the studies of the 1956 Committee to Investigate the Health Service System appointed by your Honor, and the continued efforts of a group of City employees and Employee Organizations dedicated to providing the active and retired employee of San Francisco and his dependents with a sound and comprehensive Plan of medical and hospital benefits, and thus provide them with protection against those exigencies which can befall anyone at any time due to illness and injury.

As presented in our Annual Report to your Honor covering the fiscal year 1957-58, the new Health Service Board under the revised Charter provisions took office in 1958, and immediately directed its attention to broad policy matters dealing with the reorganization of the System and with the benefits of the various Plans and their respective rate structures.

It may be stated without equivocation that the diligent attention of the new Health Service Board to the major tasks with which it was presented upon taking office in February 1958 has led to more constructive and more sweeping changes in the System during the past fiscal year than in any year since the inception of the Health Service System in 1938. The Health Service Board has never swerved from its initially announced intention of "recognizing its primary purpose of drafting a Medical and Hospital Plan for City employees equal to and better than anything offered in private industry."

In this Annual Report covering the fiscal year 1958-59, these two broad phases of Health Service System improvements are presented separately below along with suggestions and recommendations with respect to future activities of the department.

THE HEALTH SERVICE BOARD

The new Health Service Board which took office in February 1958 continued into the present fiscal year with Mr. Daniel Mattrocce as President. The members of the Health Service Board: Mr. William J. Braun, Deputy City Attorney, representing Mr. Dion R. Holm, the City Attorney; Donald M. Campbell, M. D., practicing physician and surgeon, Past President of the San Francisco Medical Society, appointed by your Honor; Mr. Harold S. Dobbs, attorney, business executive and Supervisor, Chairman of the Finance Committee of the Board of Supervisors; Mr. Daniel Mattrocce, employee member, Past President of the Health Service Board, Supervisor of Wage Scales and Classifications, Civil Service Commission, and more recently Secretary of the San Francisco Retirement System; Mr. Donald J. McCook, Insurance Official, West Coast Manager of the Group Division of the Aetna Life Insurance Company, appointed by your Honor; Mr. Henry L. McKenzie, employee member, Past President of the Health Service Board, member of the Executive Committee of the Civil Service Association, Past Secretary of the Per Diem Men's Association and member of Teamsters Union Local 216, AF of L; Mr. Thomas P. O'Sullivan, employee member of the San Francisco Fire Department, a member of the Health Service Board since 1957, Director of the San Francisco Fire Fighters Local 798, San Francisco Fire Department, Delegate to San Francisco Labor Council, Delegate to State Federation of Labor and to Union Labor Party.

On February 10, 1959, on the occasion of Mr. Harold S. Dobbs' leaving the Health Service Board to accept the change of appointment from Chairman of the Finance Committee to President of the Board of Supervisors, the Health Service Board unanimously adopted a resolution thanking Mr. Dobbs for his energy, support, and sound guidance in the reformation and rehabilitation of the Health Service System.

The Board welcomed Mrs. Clarissa S. McMahon, the new Chairman of the Finance Committee of the Board of Supervisors at its next meeting in April 1959. Since that time Mrs. McMahon has continued to give to the System unstintingly of her wisdom and experience in matters of finance as well as all other matters coming before the Board.

May 1959 saw the first election of an employee member under the provisions of the Charter revision of November 5, 1957. The incumbent, Mr. Henry L. McKenzie, was defeated by Mr. George Cuniffe, a former member of past Health Service Boards. To Mr. McKenzie at his last meeting on the Board, was extended a resolution congratulating and thanking him for his sincere and continued efforts throughout his membership in the Board for the welfare and interests of all members of the Health Service System.

REORGANIZATION OF HEALTH SERVICE SYSTEM WORK PROCEDURES

As pointed out in our last Annual Report to your Honor, the Health Service Board, shortly after taking office, requested through the Controller a survey of Health Service System work procedures. The firm of Cecchi and Scheibner was engaged to make this study, and this firm's report covering the System's accounting procedures and organization, was completed in June 1958 and adopted by the Health Service Board at its meeting of June 26, 1958.

NEW TABLE OF ORGANIZATION

During the past fiscal year the recommendations of the Cecchi and Scheibner report have been placed in effect. The Table of Organization proposed was immediately put into effect. The changes necessarily have been time-consuming, since review was required by the Civil Service Commission and new positions had to be requested and approved by the Health Service Board, created by necessary appropriation ordinances of the Board of Supervisors and then given final approval by your Honor.

The new position of Chief of Staff was classified by the Civil Service Commission as a B-14 Senior Accountant and the position filled on November 1, 1959. It is noteworthy that for the first time in the history of the System, a City department expending over $2,000,000. a year, its personnel now includes a high-level accountant. Further organization changes included the addition of a B-4 Accountant I in November 1958. After review by the Civil Service Commission, a new position of Claims Supervisor was created and an open examination held to fill the position. There was a relatively large group of applicants. The new Claims Supervisor appointed from this list came to the Health Service System on February 1, 1959. It again may be emphasized that for the first time in the history of the System our Claims section, handling some 6,000 or more claims per month, is now headed by a Claims Supervisor specifically trained in this field.

MEMBERSHIP AND IBM TABULATING SECTIONS

During the past fiscal year, our reorganization has also extended to our IBM Tabulating Section. It was only through the cooperation of the City Purchaser and the Central Tabulating Division of his office that we were able to meet the load with which we were faced commencing in the early part of the last fiscal year. At that time a review was instituted as to whether it would be advantageous and would constitute a saving to the City to have our machine operations in the offices of our Tabulating and statistical work performed elsewhere, perhaps by contract through the Central Tabulating Division of the office of the City Purchaser. However, after very careful study, it was deemed advisable to continue all IBM procedures in the offices of the Health Service System. This meant a thorough survey of new methods and procedures required to bring order in the office, and a study to determine the personnel necessary to carry out these new methods and procedures. The position of IBM Supervisor was reclassified to Senior IBM Tabulating Machine Operator, and a request was made for a full staff of two IBM Tabulating Machine operators and two IBM key punch operators. One IBM Tabulating Machine operator was placed on detached service in the Payroll Division of the Controller's Office, with specific duties relative to Health Service System work. The new Senior IBM Tabulating Machine Operator came to the Health Service System to take charge of the Section on May 1, 1959

Further important changes in procedure have been instituted apace with the personnel changes described above.

First and foremost was a complete revision of our Membership and Payroll procedures, made necessary by reason of the Charter changes relative to the City's contribution. Commencing in January 1959, the Controller assisted the Health Service System in placing in operation an entirely new IBM procedure relative to Membership.

This program has reached full operation only during the past two to three months. These changes are reflected in improved membership control, increased and better control of revenue, more accurate recording of membership, and, of course, as a corollary, the more accurate auditing and accounting of medical claim payments by reason thereof.

The Health Service System also inaugurated a new policy for the benefit of its members during the sign-up period of January and February 1959. Changes in procedure were instituted with the adoption of the new enrollment form to allow members to join the Plan of their choice and add their dependents without the necessity of coming to the Health Service System offices. This was of particular importance to our older members and retired persons, who had difficulty in making the trip to the office, and to active employee members, who were inconvenienced by having to leave their work. Further, the crowding of the Health Service System office during noon hours, the heavy work load on the staff, the last-day trip for sign-up--all these inconveniences were eliminated.

The change in enrollment procedure was coordinated with a change in the Rules and Regulations, whereby membership of new employees was made effective on the first day of the first pay period after starting work.

The Board further revised its Rules relative to Limited Tenure employees, making membership or request for exemption mandatory for all Limited Tenure employees who are members of the Retirement System; thus bringing the Health Service System Rules and Regulations in conformity with the Charter.

Membership of Veterans lifting their exemption was facilitated by eliminating the necessity of a preliminary physical examination and possible limitation of benefits; thus providing for Veterans lifting their exemptions the same benefits and rights granted other employees who lift their exemption.

Our payments to the Alternate Plans are now being made on a current basis by reason of these improved Membership and Tabulating procedures. Our payments to the Equitable Life Assurance Society of the United States for Major Medical insurance for Plan I are also being made on a current basis thereby.

The next two months should see the backlog of work in the Membership section cleared up with the extra personnel which have been recently authorized by your Honor, after approval by the Health Service Board and by the Board of Supervisors. This backlog of work was not unexpected, in view of the radical revision of all procedures in all of these respective departments.

CLAIMS SECTION

During the past fiscal year, very close control of auditing procedures in the payment of medical claims has been maintained. The complete cooperation of the San Francisco Medical Society through its Insurance Committee, and the physicians of San Francisco, has resulted in a tremendous improvement in the quality of medical billing, so that claims may now be promptly and carefully evaluated. It has been evident that the Health Service System methods of handling claims have been antiquated and in need of revision in terms of present-day office management procedures.

Therefore, with the cooperation and assistance of the Controller, a review was made of various types of claims-handling procedures and an entirely new procedure developed. As a result of this study, the Health Service Board, at its meeting of November 20, 1958, adopted a resolution to provide funds for the purchase of the necessary new equipment for our Claims Section. After careful review by your Administrative Assistant and the Finance Committee of the Board of Supervisors, this request for funds received final approval by the Board of Supervisors on February 18, 1959 and was authorized by your Honor. There has been delay in providing this equipment, both by reason of routine City purchasing procedure, publication of bids and request for review, and also, lastly, by reason of the failure of delivery due to the recent Teamsters' strike. The Health Service System can report that this equipment has now been delivered to our offices in the Auditorium and will be installed within a few days of the date of this report. The new procedures for the handling of claims utilizing this equipment should be in operation within ninety days. These new procedures should result in a decrease in the work load of the individual employee, an increase in the efficiency of the operation of the System, and a consequent saving to the System by allowing the utilization of at least one person from the Claims Section in necessary Health Service System work in other sections.

With reference to the work of the Claims Section, it should also be pointed out that commencing January 1, 1959, the Claims Section added to its functions the processing of claims for Major Medical insurance. This added duty the Claims Section was able to perform without the addition of more personnel. The payment of Major Medical claims has been most satisfactory, both in our own office experience and also in the cooperation afforded by the Equitable Life Assurance Society of the United States through its San Francisco office. Claims presented to the Equitable Society are handled promptly, and payment to our member is usually made within 24 to 48 hours. The volume of our claims expenditures in Major Medical insurance is reflected in the attached statistical information; an average of 45 claims per month are presently being processed.

REVISION OF THE PLANS
MEDICAL-HOSPITAL BENEFITS

Immediately upon taking office in February 1958 the new Health Service Board entered in discussion with many departments of the City government and found that there was a great universal interest in "Major Medical" or what is sometimes called "Catastrophic Insurance" to supplement the Basic Benefits already provided for City employees. The Board further received numerous suggestions as to liberalization of its Basic Benefits in Plan I.

A thorough actuarial review of Plan I was undertaken by a leading firm of actuaries, Johnson and Higgins of California, who worked concurrently with the firm of Cecchi and Scheibner (see above) so that the work of both would not conflict. The actuaries reported that a deficit of $65,000. existing as of July, 1957, would probably be completely liquidated by July, 1958, and hence, no assessment would be necessary to meet a possible deficit prior to July 1, 1958, the date on which the City's contribution to the System would begin. It may be noted that this opinion of our actuaries has been confirmed. A recent audit requested of Mr. Harry D. Ross, Controller of the City and County of San Francisco, and made by Cecchi and Scheibner, indicates a surplus of approximately $41,000. as of June 30, 1958.

Pursuant to the provisions of Section 172.1.4, the Health Service Board held a Public Hearing on September 4, 1958 at 8:00 P. M. in the Chambers of the Board of Supervisors, relative to improving its Hospital and Medical Benefits in Plan I. The Board presented at the Public Hearing four plans of Basic Benefits to go along with a plan of Major Medical Insurance which was under consideration. These plans, outlined in the release of August 20, 1958 (appended), included the existing Plan I and drafts of three other plans of Basic Benefits. The Major Medical Insurance was outlined to supplement each of these proposals along with the estimated costs. In addition, the Board also presented at the Public Hearing the changes in Plan II which had been proposed by the Kaiser Foundation Health Plan and which had been approved by the Health Service Board at its regular meeting of July 3, 1958.

Following the Public Hearing of September 4, 1958, the liberalized Basic Benefits portion of Plan I was adopted by the Health Service Board at its regular meeting of September 18, 1958 and the Major Medical portion of Plan I was adopted by the Board at its regular meeting of October 2, 1958.

Request for bids for Major Medical insurance for Plan I members was published in the San Francisco press in accordance with City purchasing procedure. The bids were received at a Special Meeting of the Health Service Board November 3, 1958, thirty days after publication. The Board at its regular meeting November 6, 1958, accepted the offer of the Equitable Life Assurance Society of the United States on the basis of the following considerations: (1) lowest initial premium; active and retired employee $1.51; spouse $1.64; child or children $0.48; (2) very favorable retention estimate; (3) company size and assets; (4) San Francisco service facilities; and (5) length of contract guarantee (until July 1, 1960 as compared to a 12 months' guarantee by other bidders).

The changes in Plan I Basic Benefits (increase in fees for office, home and hospital calls, addition of x-ray and radium therapy for malignancy and other changes) and the provisions of the Major Medical insurance as well as the change of benefits of the Alternate Plans and the respective contribution rates all are summarized in the Summary of Health Service System Plans attached, which was distributed in January 1959 to our approximately 20,000 members.

The revised Plan I was submitted with revision of Plan II first to the Retirement Board for initial action and then to the Board of Supervisors for its action along with the changes of contribution rates for all Plans pursuant to the provisions of Section 172.1 of the Charter as amended November 5, 1957.

The matter was heard first by the Committee on Public Health and Welfare consisting of Dr. Charles A. Ertola, Mr. Alfonso J. Zirpoli and Mr. James J. Sullivan, at Public Hearing on October 16, 1958. A continuance was granted by the Committee thereafter to allow employee groups to study the proposals. Subsequent public hearings were held by the Committee on October 30 and November 13, 1958. The proposals and necessary ordinances were then forwarded to the full Board of Supervisors by the Committee on Public Health and Welfare with a "Do Pass" recommendation.

On November 24, 1958 the Board of Supervisors approved the proposed changes for second reading by unanimous vote of 11 to 0. Voting in favor of the measure were Supervisors: Mr. William C. Blake, Mr. Joseph M. Casey, Mr. Harold S. Dobbs, Dr. Charles A. Ertola, Mr. John J. Ferdon, Mr. James Leo Halley, Mr. Francis McCarty, Mrs. Clarissa S. McMahon, Mr. Henry R. Rolph, Mr. James J. Sullivan and Mr. Alfonso J. Zirpoli. On December 1, 1958 the Board of Supervisors gave final approval again by unanimous vote of the members present.

The wisdom of the Board and the importance to our members of providing these benefits on January 1, 1959 rather than waiting until the beginning of the next fiscal year, July 1, 1959, is emphasized by the fact that during the first six months of operation approximately 143 persons received Major Medical benefits in a total amount of $65,474.96; money which was payable for services over and above any Basic Benefits of Plan I, past or present. As of the date of this Annual Report, over $100,000. has been paid in such claims; again it may be stressed that this represents money which otherwise would have had to have been paid by our members. That one payment for one person amounted to $2547.22 is evidence enough of the importance of Major Medical insurance to our members when catastrophe befalls.

The Board next addressed itself to a study of changes and improvements in the System for the next fiscal year, July 1, 1959 through June 30, 1960.

On January 29, 1959 a Public Hearing was held by the Health Service Board in the Chambers of the Board of Supervisors in accordance with Charter provisions. Employees and employee organizations were present and made suggestions for the improvement of Plan I. All of these suggestions were given careful consideration by the Board and preliminary investigation by the Board's actuary, Johnson and Higgins of California. The Board studied critically each proposal, along with its estimated cost, and then chose those suggestions which were considered most immediately important to the membership of Plan I. The Board's decision was dictated not only by the anticipated cost of each benefit change on an actuarial basis, but also by the necessity of maintaining the soundness of the System during the coming fiscal year. On April 29, 1959 the Board approved the further revisions of the benefits and the contribution rate structure for the coming fiscal year 1959-60 as outlined below.

By reason of the City's added contribution during the fiscal year July 1, 1959 through June 30, 1960, the Health Service Board was able to adopt changes liberalizing the Basic Benefits of Plan I and at the same time reduce the member's contribution rate in Plan I from $6.60 to $5.84 per month. The rate for the member and spouse will be reduced from $15.24 to $14.48 per month, and the family rate from $19.10 to $18.34 per month.

Action on these changes was deferred by the Committee on Public Health and Welfare pending further actuarial studies. Therefore, again on August 18, 1959 the Health Service Board considered the changes of benefits and adopted new contribution rates to be effective October 1, 1959. These were then again forwarded to the Board of Supervisors.

Most important of the adopted changes in Plan I benefits was the removal of the so-called "one-year rule" covering the care of dependents. This rule, in existence for many years, limited the dependent member to treatment for only one year beginning with the first date of service, and absolutely prohibited payment for any further treatment for the condition after the one year period. This restrictive rule represented one of the chief causes of dissatisfaction and dissension among members of the System during the past many years. By the Board's present action, dependent members will now be provided with the same benefits as active and retired employees.

The Board further removed the restriction for the treatment of conditions of dependents pre-existing their membership in the System; another major cause of dissatisfaction among members for many years. Now all pre-existing conditions of present dependent members of Plan I will automatically be covered for full benefits, and dependents will be admitted to Plan I in the future without medical examination

(formerly required at the member's own expense) if the new City employee makes application for his dependents' membership within a time limit following the date of his employment.

Recognizing the importance of providing members with adequate reimbursement for surgical services, the Health Service Board studied its present Surgical Fee Schedule and changed from its present schedule with a $300 maximum to a $400 Surgical Fee Schedule based on the Relative Value Study sponsored by the California Medical Association, and presently in use by numerous insurance companies throughout California.

The other improved benefits adopted by the Board for Plan I members included a broadening of the age requirements of minor dependents, by lowering the age at admission from one year to fourteen days, thus allowing Basic Medical Benefits for infants (already covered by present Plan I Major Medical insurance). It further broadened dependent age requirements of minor dependents by increasing the age limit from 19 to 23 years. This meets the numerous requests received by the Board in the past that benefits be provided for this age group of dependents from 19 to 23 years of age who may still be in school or college and thus still require financial assistance from their parents. These changes in age requirements for minor dependents are in line with the widening concepts being adopted in Health Insurance Plans throughout the country today.

Lastly, the Board approved the elimination of two long-standing restrictions of benefits: (1) the exclusion from hospital benefits for patients requiring care in isolation hospitals for contagious communicable diseases, and (2) the requirement that a minor dependent member must have been a member of Plan I for one year before the System could provide payment for the removal of tonsils and adenoids. These two long-standing limitations again were the cause of much dissension and dissatisfaction among members in the past.

In summary, the Health Service Board has adopted the following changes in its Basic Medical and Hospital Benefits:

(1) provided for treatment of pre-existing conditions of dependents;
(2) eliminated the rule restricting treatment of dependents to one year for any condition, illness, or injury;
(3) changed the Surgical Fee Schedule from a $300 to a $400 schedule based on the California Medical Association's study;
(4) broaden the age requirements for minor dependent members from one year down to fourteen days and from 19 years up to 23 years of age;
(5) removed the one-year membership rule for tonsillectomy of minor dependents, and
(6) provided for hospital benefits for communicable diseases.

PLAN II.
KAISER FOUNDATION HEALTH PLAN

The Board also adopted changes in the contribution rates of Plan II members which will allow for a reduction by reason of the City's added payments for the coming fiscal year. The present monthly contribution rate of $7.00 for active and retired employee members of Plan II will be reduced to $6.40.

The changes in benefits for Plan II members which were adopted include: (1) an increase in the allowance for out-of-area coverage from $250 to $500; (2) dental x-rays which had been given members enrolled prior to January 1, 1954 will no longer be provided.

The monthly contribution rates for Plan II members as now adopted by the Health Service Board will be: active and retired employees, $6.40; employee and one dependent, $13.32; employee and two or more dependents (family rate) $17.70.

PLAN III
RAY E. HARRIS, M. D. & STAFF

PLAN IV
BOE MEDICAL GROUP

The Health Service Board further adopted changes in the monthly contribution rates for members of Plan III (Ray E. Harris, M. D. and Staff) and Plan IV (Boe Medical Group) which represented a small increase in the rate for active and retired employees. This increase was made necessary by the continuing marked rise in overall medical costs during recent years. It should be noted that there has been no increase in contribution rates for Plan III and Plan IV members for several years.

For Plan III members (Ray E. Harris, M. D. and Staff), a change in hospital benefits was approved which will grant 21 days hospitalization at the minimum ward rate in full up to $22.00 per day and an allowance for anesthesia and-or anesthetist in full up to $25.00 during hospital service period.

The new monthly contribution rates for Plan III members will be as follows: active and retired employees $5.92; spouse $5.52; employee and spouse $11.44; minor dependent $4.10; employee and minor dependent $10.02; family rate $15.30.

The new monthly contribution rates for Plan IV members will be as follows: active and retired employees $5.88; spouse $5.50; employee and spouse $11.38; minor dependent $4.06; employee and minor dependent $9.94; family rate $15.24.

STATISTICAL

NEW MONTHLY CONTRIBUTION RATES EFFECTIVE OCTOBER 1, 1959

	Plan I	Plan II	Plan III	Plan IV
Employee or Retired Member	$5.84	$6.40	$5.92	$5.88
Employee and Spouse	14.48	13.32	11.44	11.38
Family Rate	18.34	17.70	15.30	15.24

STATISTICAL COMPARISON OF MEMBERSHIP

	1956-57	1957-58	1958-59
Plan I	20,211	20,265	19,347
Plan II	12,000	13,579	16,086
Plan III	375	398	605
Plan IV	1,532	1,435	1,528
TOTALS	34,118	35,677	37,566

The above changes in benefits and rates for the four Plans were submitted to the Retirement Board, to the Board of Supervisors' Committee on Public Health and Welfare, and finally to the full Board of Supervisors for approval in accordance with the provisions of Section 172.1 of the Charter of the City and County of San Francisco. The entire revised benefits and rates received final approval by the Board of Supervisors on September 8, 1959, and will become effective October 1, 1959.

AUDIT

An audit of the System as of June 30, 1958 has been completed by Cecchi and Scheibner under the direction of the Controller, Mr. Harry D. Ross. The report on this audit will be forwarded to your Honor to be made a part of this Annual Report upon its receipt.

ACTUARIAL SURVEY

An Actuarial Survey of the Health Service System for the fiscal year 1958-59 has been submitted by Johnson and Higgins of California, and has been adopted by the Health Service Board at its regular meeting of September 8, 1959. This report is appended herewith as a part of this Annual Report.

CONCLUSION

The Health Service Board is presently engaged in the study of the benefits of its various Plans preparatory to presenting these to our membership at its Public Hearing in January 1960. These changes all reflect new, sound, and reasonable benefits. The financial structure of the System must be reviewed at that time and rates of contribution adopted which will reflect our past experience and the benefits to be added.

The reorganization changes in the Health Service System which were initiated during the past fiscal year must continue. Numerous administrative problems remain to be met and will be resolved. The Classification Survey by the Civil Service Commission which is presently in progress will be of the utmost importance to the Health Service System at this time in particular.

In conclusion, the past fiscal year 1958-59 has seen major advances in all phases of the Health Service System. The obliteration of the deficit which existed as of June 30, 1957 to become a surplus of approximately $41,000. as of June 30, 1958, reflects careful administration. There exists today a sense of unity between the Health Service Board and its four Plans of medical care which was frequently lacking in the past. Representatives of the San Francisco Medical Society and of the San Francisco Hospital Conference, as well as numerous individual physicians, have expressed their appreciation and satisfaction with the changes in Plan I which have been put into operation by the Board. The cooperation between members of these Societies and the Health Service System has been excellent.

The date on which the above benefit changes in Plan I are put into effect will mark the removal of several of the most serious causes of dissatisfaction and dissension among members of the Health Service System for many years.

Finally, the four Plans available in the Health Service System now provide active and retired employees of the City and County of San Francisco and of the San Francisco Unified School District with a wide choice of benefits for themselves and their families--with premium rates within the financial means of members of the System.

WALTER E. HOOK, M. D.
Medical Director

MAJOR MEDICAL CLAIMS

Month Claim Paid	No. of Claims	Amount Paid	Average
March 1959	8	$6,903.54	$862.94
April	34	17,825.08	524.27
May	52	21,445.21	412.41
June	49	19,301.13	393.24
July	56	19,928.76	355.87
August	57	15,323.76	264.20
TOTALS	256	$100,727.48	$393.46

ANNUAL REPORT OF THE HEALTH SERVICE SYSTEM

1959-1960

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ANNUAL REPORT OF THE HEALTH SERVICE SYSTEM

1960-1961

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ANNUAL REPORT OF THE HEALTH SERVICE SYSTEM 1961-1962.

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The original plan provided for payment by the Health Service System for its members for services by doctors, laboratories, and hospitals. Commencing in 1947 three additional Alternate Plans of medical care were added so that at the present time the Health Service System provides: Plan I, its own Medical-Hospital Plan; Plan II, the Kaiser Health Foundation Plan; Plan III, the Ray E. Harris, M. D. and Staff Plan; and Plan IV, the Bay Medical Group Plan.

Charter Amendment Proposition ' K ' was approved on November 5, 1957 by the electorate and ratified on February 5, 1958. This placed in operation changes in the Health Service System which were the outgrowth of the efforts of the Committee to Improve the Health Service System and the 1956 Committee to Investigate the Health Service System appointed by your Honor, and the continued efforts of City employees and Employee Organizations dedicated to providing the active and retired employees of San Francisco and their dependents with a comprehensive as well as sound Plan of medical and hospital benefits. These benefits provided them with protection against exigencies which can befall anyone at any time due to illness and or injury.

The Health Service Board that took office under the Revised Charter provisions immediately directed its attention to policy matters dealing with the re-organization of the System and with the benefits of the various Plans and their rate structure.

Again in November 1961 Proposition 'F' was submitted to the people and was passed by a substantial vote. This proposition provided for the City and County of San Francisco to absorb the administrative expense of the Health Service System which was formerly paid by employees and their dependents. In addition thereto, the additional cost of coverage of retired members was defrayed by the City. This feature is unique in health coverage, whereby the retired member pays the same amount as the active working member although his costs are actuarially computed at three or four times as much.

THE HEALTH SERVICE BOARD

The present Health Service Board is made of the following: Mr. Francis J. Collins, employee member, Department of Public Works, serving as President: Mr. Donald J. McCook, Insurance Official, West Coast Manager of the Group Division of the Aetna Life Insurance Company: Mr. Donald J. Garibaldi, Deputy City Attorney, representing Mr. Thomas M. O'Connor, City Attorney: Donald M. Campbell, M. D., practicing physician and surgeon, Past President of the San Francisco Medical Society, appointed by your Honor, as was Mr. McCook: Mr. Harold S. Dobbs, Chairman of the Finance Committee of the Board of Supervisors: Mr. George W. Cuniffe, a former member of past Health Service Boards, an employee member of the Department of Public Health: Mr. Thomas W. McGrath, Union executive and business agent, representing the Carmen's Union Local 1380 AFL, an employee of the Municipal Railway.

REORGANIZATION

The Health Service Board continues to survey the needs for the System and has done so through a survey requested of the Controller. The financial records have been audited each fiscal year, the last audit being performed by the Controller's General Audit staff which was complete and rendered to the Health Service Board and the Executive Director in record time. Revised tables of organization have been prepared showing the positions authorized and new positions required, mainly due to the increased volume of medical claims and the strict cost accounting required by Proposition "P" passed in the November 7, 1961 election.

The System is continuously making progress under the new regime and has been paying medical bills weekly since October 1960. The Medical Advisor, Dr. James T. Fitzgerald has been diligently reviewing claims and the Board is well pleased with Dr. Fitzgerald's appointment. Claims continue heavy not only as to amounts, but as to the volume handled. With some thousand or more warrants being sent out weekly, the filing situation is becoming cumbersom. Each processor is responsible for processing claims assigned by the Claims Supervisor and the filing is being accomplished by temporary help. It is contemplated that a full time file clerk is desirable to do this work and only then can some one be properly trained for this phase of the medical claims work.

MEMBERSHIP AND TABULATING DIVISION

There has been a complete reorganization of the membership section due to changes in personnel necessitated by the promotion of some and others leaving City service. The membership division has been revamped with the assistance of the Controller, due to the Electronic Data Processing program now being installed. Certain phases of the work is being streamlined for the forthcoming "EDP" program.

The Executive Director and Head Accountant have taken the four month indoctrination program in "EDP" and at present the Principal Tabulating Machine Operator is assigned to this program on a full time basis. His position has been filled on a temporary basis pending his return.

The Health Service Board has completely rewritten the Rules and Regulations of the Health Service System, copy of which is being made an official part of this report. Sign-ups or the opportunity to change from one plan of the System to another, has been made more lenient. Two sign-ups are allowed at present under the new rules, one in May and one in November, replacing the prior sign-up in September only. The exemptions have been completely changed in the new Rules and Regulations, making them more realistic than in the past. A complete file of insurance carriers is being maintained in the office of the System, making it easier for the Board to pass on exemption than in the past. The Executive Director has been given more authority to act for the Board on administrative matters and the Health Service Board is concerned now with only matters of policy.

The Tabulating and IBM Division has been reorganized due to the entrance of the System into the "EDP" program and all records are being maintained in the offices of the System where formerly they were divided between the System and the Controller's Payroll Section. This has resulted in the elimination of one deck of cards (some 20,000 IBM cards) which has speeded up the work of the System and will continue until the ultimate peak when "EDP" takes over the IBM phase of the work.

CLAIMS DIVISION

There exists a very close control in the claims division which has proven beneficial in the processing and payment of medical claims. A very definite improvement has been made in the past year in the evaluation of medical claims. The close cooperation with the San Francisco Medical Society, the Equitable Life Assurance Society, our Major Medical carrier, has made the System's job easier and the quality of medical billing has definitely improved.

Major Medical payments have continued to be substantial and more members and their dependents have written to the Board and the System expressing their thanks for the prompt payment of such claims and for the Board's foresightedness in obtaining catastrophic coverage for members and dependents.

PUBLIC HEARING

In accordance with Charter provisions, a public hearing was held in January 1962. Members, organizations and interested people can present their views, comments or complaints at this public hearing. Representatives from the alternate plans were present, the System's actuary presented his statistics and the President of the Health Service Board reviewed the year's activity. The Executive Director and Medical Advisor were in attendance to answer any questions relative to the cooperation of the System.

A mere handful of people appeared at the Board of Supervisors chambers on January 9, 1962 for the public hearing. Employee organizations thanked the Board for the efficient operation of the System and the progress made in the past year. The Board was asked to hold down costs if possible and not increase contribution rates. The passage of Proposition "F" in the November 1961 election indicated that the rates would probably be reduced due to the City taking over more of the costs. However, this was not a certainty as the rates for the ensuing fiscal year had not been discussed or set.

AUDIT

As previously pointed out, the audit of the System was performed by the Controller's general audit staff. The report was complete and was rendered to the Board and to the Executive Director in record time. In the past the audit was delayed some six months and it has been the Board's policy to request that the Controller perform the audit for each fiscal year. The Controller's staff, actively engaged in the "EDP" program, will perform the audit for 1961-1962, if sufficient personnel are available, such fact to be determined by the Controller.

ACTUARIAL STUDY

An actuarial study is made each fiscal year by Johnson and Higgins of California and is reviewed by the Health Service Board prior to its adoption and the Board's recommendations for payment of such contractual work. The actuarial report for the year 1961-1962 has been sent to your Honor for review.

SUGGESTIONS

That there be a closer cooperation between the Health Service System and other city departments as requested in prior reports. This is particularly noted so that closer cooperation will be forthcoming among timekeepers in various departments. Notices should be given the System when employees go on leave without pay, sick leave, resign or are suspended. It makes it difficult to obtain money from members when they are away from the job and particularly employees of the San Francisco Unified School District who go on maternity leave and never return to work. It is months after they leave on maternity leave, child care leave, etc., that the System is notified by the Minutes of the Board of Education. This money is lost to the Health Service System unless we can obtain the money from them prior to withdrawal of their retirement allowances. Suggest a representative from the Mayor's Office, the Chief Administrative Officer's representative and one or more from the San Francisco Unified School District sit down with the membership division of the Health Service System and work out formal details as to handling problems.

STATISTICS

The Health Service System has 'lived within its original budget' with the following exception:

Revenues estimated for the fiscal year were exceeded by some $500,000 due to the increase in members not anticipated when the budget was prepared some eight months earlier and due to the fact the contribution rates were estimated on too low a basis. This money was appropriated to pay the claims for the increased members, their dependents and for the additional claims paid out in this fiscal year.

CONCLUSION

Payments for the year 1961-1962 for medical claims were approximately $4,000,000. Plan I (our own plan) payments were $1,900,000 for basic benefits and $600,000 for major medical premiums. Plan II (Kaiser Foundation Health Plan) received $1,520,000 and the other two plans (Plan III Ray E. Harris and Staff and Plan IV Bay Medical Group) received $65,000 and $72,000 respectively. The System takes in over $150,000 per year in direct payments over the counter. This is mainly for resigned members and their families and for retired members who are unable to pay through payroll deduction. Our subrogation refunds are in excess of $15,000 per year, representing monies recovered by the Health Service System where other medical coverage exists. This is only for Plan I basic plan as the Major Medical insurance cannot legally be subrogated.

The adoption of the Jacobs survey by the Civil Service Commission has added considerable work to our records in that all 45,000 IBM cards must be changed to record new classifications. This is further hampered by the fact that it is partly a manual operation and partly an IBM operation. Not all positions have been reclassified and with one deck of cards to change (45,000) multiplied by three decks, considerable overtime monies have been used since July 1, 1962.

All alternate plan payments have been made for the fiscal year 1961-1962. However, we are still paying Plan I basic benefit bills as medical bills incurred by members and their dependents in June 1962 are not sent in until July or August.

Finally, the four plans available in the Health Service System now provide active and retired employees of the City and County of San Francisco and of the San Francisco Unified School District with a wide choice of benefits for themselves and their families, with premiums within the financial means of members of the System.

Respectfully submitted,

LYLE J. O'CONNELL
EXECUTIVE DIRECTOR

8-13-62

ANNUAL REPORT OF THE HEALTH SERVICE SYSTEM 1962-1963

The Health Service System was established in March 1937 by Charter Amendment, and has been in full operation since October 1938. The constitutionality and legality of compulsory membership has been established in the courts. Throughout the years there has been a consistent pattern of progressive change in the System with improvements in benefits for members and their dependents, and necessary changes in contribution rates to meet the increasing costs of medical services.

The original plan provided for payment by the Health Service System for its members for services by doctors, laboratories, and hospitals. Commencing in 1947 three additional Alternate Plans of medical care were added so that at the present time the Health Service System provides: Plan I, its own Medical-Hospital Plan; Plan II, the Kaiser Health Foundation Plan; Plan III, the Ray E. Harris, M.D. and Staff Plan; and Plan IV, the Bay Medical Group Plan.

Charter Amendment Proposition ' K ' was approved on November 5, 1937 by the electorate and ratified on February 5, 1958. This placed in operation changes in the Health Service System which were the outgrowth of the efforts of the Committee to Improve the Health Service System and the 1956 Committee to Investigate the Health Service System appointed by your Honor, and the continued efforts of City employees and Employee Organizations dedicated to providing the active and retired employees of San Francisco and their dependents with a comprehensive as well as sound Plan of medical and hospital benefits. These benefits provided them with protection against exigencies which can befall anyone at any time due to illness and/or injury.

The Health Service Board that took office under the Revised Charter provisions immediately directed its attention to policy matters dealing with the re-organization of the System and with the benefits of the various Plans and their rate structure.

Again in November 1961 Proposition 'F' was submitted to the people and was passed by a substantial vote. This proposition provided for the City and County of San Francisco to absorb the administrative expense of the Health Service System which was formerly paid by employees and their dependents. In addition thereto, the additional cost of coverage of retired members was defrayed by the City. This feature is unique in health coverage, whereby the retired member pays the same amount as the active working member although his costs are actuarially computed at three or four times as much.

THE HEALTH SERVICE BOARD

The present Health Service Board is composed of the following:

Mr. Francis J. Collins, employee member, Department of Public Works, serving as President; Mr. Donald J. McCook, Insurance Official, West Coast Manager of the Group Division of the Aetna Life Insurance Company; Mr. Donald J. Garibaldi, Deputy City Attorney, representing

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Mr. Thomas M. O'Connor, City Attorney; Abraham Bernstein, M.D., practicing physician and surgeon, appointed by your Honor, as was Mr. McCook; Mr. Harold S. Dobbs, Chairman of the Finance Committee of the Board of Supervisors; Mr. George W. Cuniffe, a former member of past Health Service Boards, an employee member of the Department of Public Health; Mr. Thomas W. McGrath, Union executive and business agent, representing the Carmen's Union Local 1380 AFL, an employee of the Municipal Railway.

REORGANIZATION

The Health Service Board continues to survey the needs for the System and has done so through a survey requested of the Controller. The financial records have been audited each fiscal year, the last audit being performed by the Controller's General Audit staff which was completed and rendered to the Health Service Board and the Executive Director in record time. Revised tables of organization have been prepared showing the positions authorized and new positions required, mainly due to the increased volume of medical claims and the strict cost accounting required by Proposition "F" passed in the November 7, 1961 election.

The System is continuously making progress under the new regime and has been paying medical bills weekly since October 1960. The Medical Advisor, Dr. James T. Fitzgerald, has been diligently reviewing claims and the Board is well pleased with Dr. Fitzgerald's appointment. Claims continue heavy not only as to amounts, but as to the volume handled. With some thousand or more warrants being sent out weekly, the filing situation is becoming cumbersome. Each processor is responsible for processing claims assigned by the Claims Supervisor and the filing is being accomplished by temporary help. It is contemplated that a full time file clerk is desirable to do this work and only then can someone be properly trained for this phase of the medical claims work.

MEMBERSHIP AND TABULATING DIVISION

There has been a complete reorganization of the membership section due to changes in personnel necessitated by the promotion of some and others leaving City service. The membership division has been revamped with the assistance of the Controller, due to the Electronic Data Processing program now being installed. Certain phases of the work are being streamlined for the forthcoming "EDP" program.

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PUBLIC HEARING

In accordance with Charter provisions, a public hearing was held in January 1963. Members, organizations and interested people can present their views, comments or complaints at this public hearing. Representatives from the alternate plans were present, the System's actuary presented his statistics and the President of the Health Service Board reviewed the year's activity. The Executive Director and Medical Advisor were in attendance to answer any questions relative to the cooperation of the System.

A mere handful of people appeared at the Board of Supervisors chambers on January 8, 1963 for the public hearing. Employee organizations thanked the Board for the efficient operation of the System and the progress made in the past year. The Board was asked to hold down costs if possible and not increase contribution rates. The passage of Proposition "F" in the November 1961 election indicated that the rates would probably be reduced due to the City taking over more of the costs.

AUDIT

As previously pointed out, the audit of the System was performed by the Controller's general audit staff. The report was complete and was rendered to the Board and to the Executive Director in record time. In the past the audit was delayed some six months and it has been the Board's policy to request that the Controller perform the audit for each fiscal year. The Controller's staff, actively engaged in the "EDP" program will perform the audit for 1962-1963, if sufficient personnel is available, such fact to be determined by the Controller.

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SUGGESTIONS

That there be a closer cooperation between the Health Service System and other City departments as requested in prior reports. This is particularly noted so that closer cooperation will be forthcoming among timekeepers in various departments. Notices should be given the System when employees go on leave without pay, sick leave, resign or are suspended. It makes it difficult to obtain money from members when they are away from the job and particularly employees of the San Francisco Unified School District who go on maternity leave and never return to work. It is months after they leave on maternity leave, child care leave, etc., that the System is notified by the Minutes of the Board of Education. This money is lost to the Health Service System unless we can obtain the money from them prior to withdrawal of their retirement allowances. Suggest a representative from the Mayor's Office, the Chief Administrative Officer's representative and one or more from the San Francisco Unified School District sit down with the membership division of the Health Service System and work out formal details as to handling problems.

STATISTICS

The Health Service System has "lived within its original budget" with the following exception:

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CONCLUSION

Payments for the year 1962-1963 for medical claims approximated $4,300,000. Plan I (our own plan) payments were $1,800,000 for basic benefits and $800,000 for major medical premiums. Plan II, Kaiser Foundation Health Plan, received $1,571,000 and the other two plans (Plan III, Ray E. Harris, M.D. and Staff) and Plan IV, Bay Medical Group, received $78,000 and $68,000 respectively. The System receives more than $155,000 per year in direct payments over-the-counter. This is mainly for resigned members and their families and for retired members who are unable to pay through payroll deductions. Subrogation refunds approximate $18,000 per year, representing moneys recovered by the System where other medical coverage exists. This is only for Plan I, basic plan, as the Major Medical insurance cannot legally be subrogated.

All of the alternate plans (Plan II - Kaiser - Plan III Harris Plan - Plan IV Bay Medical Group and Equitable Life Assurance Society, Major Medical carrier, have been paid for the fiscal year 1962-1963. We are, however, still paying Plan I basic benefit claims as many are incurred in May or June and will not be billed until July or later.

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LYLE J. O'CONNELL
EXECUTIVE DIRECTOR

August 1, 1963

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The Health Service Board that took office under the Revised Charter provisions immediately directed its attention to policy matters dealing with the re-organization of the System and with the benefits of the various Plans and their rate structure.

Again in November 1961 Proposition 'F' was submitted to the people and was passed by a substantial vote. This proposition provided for the City and County of San Francisco to absorb the administrative expense of the Health Service System which was formerly paid by employees and their dependents. In addition thereto, the additional cost of coverage of retired members was defrayed by the City. This feature is unique in health coverage, whereby the retired member pays the same amount as the active working member although his costs are actuarially computed at three or four times as much.

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to another, has been made more lenient. One sign-up only is allowed under the new rules, during the month of May. The exemptions have been completely changed in the new Rules and Regulations, making them more realistic than in the past. A complete file of insurance carriers is being maintained in the office of the System, making it easier for the Board to pass on exemption than in the past. The Executive Director has been given more authority to act for the Board on administrative matters and the Health Service Board is concerned now with only matters of policy.

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A mere handful of people appeared at the Board of Supervisors chambers in January, 1964, for the public hearing. Employee organizations thanked the Board for the efficient operation of the System and the progress made in the past year. The Board was asked to hold down costs if possible and not increase contribution rates. The passage of Proposition "F" in the November 1961 election indicated that the rates would probably be reduced due to the City taking over more of the costs.

In addition, they have more leverage. Increasingly is utilized under the new rules. During the month of May. The Assembly-members have considerably more to say about the budget and legislation. During this session, which is the first year of the biennium, the Governor is required to submit his budget by January 10th. Previously it was due on the 15th of February. Legislative bills introduced during this session must be introduced by the 10th of March. Previously the deadline was the 15th of March. The Governor has been given additional power in that he can veto individual items in appropriation bills. Previously he had to veto the whole bill. The Legislature is required to adjourn by June 30th. Previously there was no deadline.

The Constitution was also drafted to provide for the recovery of the Alaska Land Bank program that was declared unconstitutional by the Supreme Court. The Constitution specifically says that the State may establish a Capital Investment Fund. This is the mechanism by which the Land Bank program will be financed. It is anticipated that $20,000,000 will be needed to keep the program going for the next two years. Legislation will be introduced when the 90th day of the session begins.

Judicial Article

There appears to be very little change in the Judicial Article from the previous Constitution. In the Committee and Convention stages, a study was made of the Judicial Article of the Constitution of Puerto Rico. Puerto Rico has a unified court system. The Supreme Court has the authority to make rules for the operation of the courts. The Governor appoints the judges with the consent of the Senate. The Supreme Court has the authority to discipline judges. The Judicial Article of the Alaska Constitution is very similar to the Puerto Rican Constitution.

Local Government

In addition to the Local Boundary Commission, a unit, known as the Division of Local Affairs, is established within the Department of Community and Regional Affairs. The Division will provide assistance to local governments in matters relating to the organization of the borough.

A home rule city is one which has adopted a charter. Municipalities adopting home rule charters will have broad powers of self-government. The Constitution provides that the powers of the home rule city shall be liberally construed. The Constitution also provides that the powers of the home rule city shall not be limited except by the express limitations in the Constitution or by the Legislature. The Legislature may not limit the property tax powers of the home rule city. The Legislature may not limit the power of the home rule city to incur debt except by general law applicable to all home rule cities.

AUDIT

As previously pointed out, the audit of the System was performed by the Controller's general audit staff. The report was complete and was rendered to the Board and to the Executive Director in record time. In the past the audit was delayed some six months and it has been the Board's policy to request that the Controller perform the audit for each fiscal year.

ACTUARIAL STUDY

An actuarial study is made each fiscal year by Campbell & Jamison, Inc., and is reviewed by the Health Service Board prior to its adoption and the Board's recommendations for payment of such contractual work. The actuarial report for the year 1963-1964 has been sent to your Honor for review.

SUGGESTIONS

That there be a closer cooperation between the Health Service System and other City departments as requested in prior reports. This is particularly noted so that closer cooperation will be forthcoming among timekeepers in various departments. Notices should be given the System when employees go on leave without pay, sick leave, resign or are suspended. It makes it difficult to obtain money from members when they are away from the job and particularly employees of the San Francisco Unified School District who go on maternity leave and never return to work. It is months after they leave on maternity leave, child care leave, etc., that the System is notified by the Minutes of the Board of Education. This money is lost to the Health Service System unless we can obtain the money from them prior to withdrawal of their retirement allowances. Suggest a representative from the Mayor's Office, the Chief Administrative Officer's representative and one or more from the San Francisco Unified School District sit down with the membership division of the Health Service System and work out formal details as to handling problems.

STATISTICS

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As previously pointed out, the audit of the Library was performed by the independent auditing firm. The auditors are auditing all the accounts of the Board and in the Executive Director is proud to say that the Library's policy is to...

Acknowledgment

We wholeheartedly wish to open with thanks your by Kenneth A Jenkins, Inc., and is evidenced by the yearly increase shown within in this auditing and the budget. Considerations for reports of this auditing firm. The acknowledgment for the year 1987-1988 was kept small to just about the minimum.

Conclusion

That there be a closer correspondence between the Health Service System and other City departments as expressed in point number. This is particularly noted in that closer correspondence will be forthcoming among the...

Acknowledgments

The Health Service System would like to express its appreciation to the following associations:

Expenses contracted for the fiscal year were increased by some $500,00 due to an increase in business all associated with the budget was prepared some eight months before the fiscal year in the city. Each the responsibility rests with the Executive Director of the Health Service System.

The Health Service System has filled within its original budget with the fiscal year 1988-1989 and will be glad to supply any further information as the close of the fiscal year.

CONCLUSION

Payments for the year 1963-1964 for medical claims approximated $4,900,000. Plan I (our own plan) payments were $1,900,000 for basic benefits and $780,000 for major medical premiums. Plan II, Kaiser Foundation Health Plan, received $1,850,000 and the other two plans (Plan III, Ray E. Harris, M.D. and Staff) and Plan IV, Bay Medical Group, received $73,000 and $6 ,000 respectively. The System receives more than $200,000 per year in direct payments over-the-counter. This is mainly for resigned members and their families and for retired members who are unable to pay through payroll deductions. Subrogation refunds approximate $25,000 per year, representing moneys recovered by the System where other medical coverage exists. This is only for Plan I, basic plan, as the Major Medical insurance cannot legally be subrogated.

All of the alternate plans (Plan II - Kaiser - Plan III Harris Plan - Plan IV Bay Medical Group and Equitable Life Assurance Society, Major Medical carrier, have been paid for the fiscal year 1963-1964. We are, however, still paying Plan I basic benefit claims as many are incurred in May or June and will not be billed until July or later.

Plan III (Harris & Staff) was discontinued on June 30, 1964 due to the sudden death of Dr. Ray E. Harris.

Finally, the three remaining plans available in the Health Service System now provide active and retired employees of the City and County of San Francisco and of the San Francisco Unified School District with a wide choice of benefits for themselves and their families with premiums within the financial means of members members of the System.

Respectfully submitted,

LYLE J. O'CONNELL,
EXECUTIVE DIRECTOR

August 4, 1964.

Conclusion

Proposals for the year 1941-1942 for medical studies approximated $8,800,000. Item 1 for new clinical laboratories, $1,000,000 for basic services and $700,000 for medical warehouses. Item 12, Medical Preparatory Course Plan, requires $1,800,000 and the same for items (Item 1)), Item 2, Dentist, $1/2 and Total: $2 Item 12. For Medical Center, requested $1,000 and $2 year Medical Center requires more than $100,000 per year in direct expenses over-expenditure. Item 2, Medical Center warrants and basic Qualities and the medical schools was not ready to pay Foreign Language. Contributions received approximately $50,000 per year. Item 11, Medical Center, requires

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The HealthService System was established in March 1937 by Charter Amendment, and has been in full operation since October 1938. The constitutionality and legality of compulsory membership has been established in the courts. Throughout the years there has been a consistent pattern of progressive change in the System with improvements in benefits for members and their dependents, and necessary changes in contribution rates to meet the increasing costs of medical services.

The original plan provided for payment by the Health Service System for its members for services by doctors, laboratories, and hospitals. Commencing in 1947 three additional Alternate Plans of medical care were added: Plan I, its own Medical-Hospital Plan; Plan II, the Kaiser Health Foundation Plan; Plan III, the Ray E. Harris, M.D. and Staff Plan; and Plan IV, the Bay Medical Plan.

Charter Amendment Proposition 'K' was approved on November 5, 1937 by the electorate and ratified on February 5, 1958. This places in operation changes in the Health Service System which were the outgrowth of the efforts of the Committee to Improve the Health Service System and the 1956 Committee to Investigate the Health Service System appointed by His Honor, the Mayor, and the continued efforts of City employees and Employee Organizations dedicated to providing the active and retired employees of San Francisco and their dependents with a comprehensive as well as sound Plan of medical and hospital benefits. These benefits provided them with protection against exigencies which can befall anyone at any time due to illness and/or injury.

The Health Service Board that took office under the Revised Charter provisions immediately directed its attention to policy matters dealing with the re-organization of the System and with the benefits of the various Plans and their rate structure.

Again in November 1961 Proposition 'F' was submitted to the people and was passed by a substantial vote. This proposition provided for the City and County of San Francisco to absorb the administrative expense of the Health Service System which was formerly paid by employees and their dependents. In addition thereto, the additional cost of coverage of retired members was defrayed by the City. This feature is unique in health coverage, whereby the retired member pays the same amount as the active working member although his costs are actuarially computed at three or four times as much.

THE HEALTH SERVICE BOARD

The present Health Service Board is composed of the following:

Mr. Francis J. Collins, employee member, Department of Public Works, serving as President; Mr. Donald J. McCook, Insurance Official, West Coast Manager of the Group Division of the Aetna Life Insurance Company; Mr. Thomas A. Toomey, Deputy City Attorney, representing

Mr. Thomas M. O'Connor, City Attorney; Abraham Bernstein, M.D., practicing physician and surgeon, appointed by the Mayor, as was Mr. McCook; Mr. Jack Morrison, Chairman of the Finance Committee of the Board of Supervisors; Mr. Patrick M. Breen, an employee member of the Recreation-Park Department; Mr. Thomas W. McGrath, Union executive and business agent, representing the Carmen's Union , Local #1380 AFL, an employee of the Municipal Railway.

REORGANIZATION

The Health Service Board continues to survey the needs for the System and has done so through a survey requested of the Controller. The financial records have been audited each fiscal year, the last audit being performed by the Controller's General Audit staff which was completed and rendered to the Health Service Board and the Executive Director in record time. Revised tables of organization have been prepared showing the positions authorized and new positions required, mainly due to the increased volume of medical claims and the strict cost accounting required by Proposition "F" passed in the November 7, 1961 election.

The System is continuously making progress under the new regime and has been paying medical bills weekly since October 1960. The Medical Advisor, Dr. James T. Fitzgerald, has been diligently reviewing claims and the Board is well pleased with Dr. Fitzgerald's appointment. Claims continue heavy not only as to amounts, but as to the volume handled. With some thousand or more warrants being sent out weekly, the filing situation is becoming cumbersome. Each processor is responsible for processing claims assigned by the Claims Supervisor and the filing is being accomplished by temporary help. It is contemplated that a full time file clerk is desirable to do this work and only then can someone be properly trained for this phase of the medical claims work.

MEMBERSHIP AND TABULATING DIVISION

There has been a complete reorganization of the membership section due to changes in personnel necessitated by the promotion of some and others leaving City service. The membership division has been revamped with the assistance of the Controller, due to the Electronic Data Processing program now being installed. Certain phases of the work are being streamlined for the forthcoming "EDP" program.

The Executive Director and Head Accountant have taken the four month indoctrination course in "EDP" and on April 1, 1965 the entire Tabulating Division was moved to the Controller's office merging with the EDP unit. It is contemplated during the ensuing fiscal year that these seven employees will be transferred to an EDP payroll and the Health Service will look to the unit as a whole for results rather than to the employees of the System now assigned to EDP.

The Health Service Board has completely rewritten the Rules and Regulations of the Health Service System copy of which is being made an official part of this report. Sign-ups or the opportunity to change from one plan of the System

to another, has been made more lenient. One sign-up only is allowed under the new rules, during the month of May. The exemptions have been completely changed in the new Rules and Regulations, making them more realistic than in the past. A complete file of insurance carriers is being maintained in the office of the System, making it easier for the Board to pass on exemption than in the past. The Executive Director has been given more authority to act for the Board on administrative matters and the Health Service Board is concerned now with only matters of policy.

The Tabulating and IBM Division has been reorganized due to the entrance of the System into the "EDP" program and all records are being maintained in the offices of the System where formerly they were divided between the System and the Controller's Payroll Section. This has resulted in the elimination of one deck of cards (some 20,000 IBM cards) which has speeded up the work of the System and will continue until the ultimate peak when "EDP" takes over the IBM phase of the work.

CLAIMS DIVISION

There exists a very close control in the claims division which has proven beneficial in the processing and payment of medical claims. A very definite improvement has been made in the past year in the evaluation of medical claims. The close cooperation with the San Francisco Medical Society, the Equitable Life Assurance Society, our Major Medical carrier, has made the System's job easier and the quality of medical billing has definitely improved.

Major Medical payments have continued to be substantial and more members and their dependents have written to the Board and the System expressing their thanks for the prompt payment of such claims and for the Board's foresightedness in obtaining catastrophic coverage for members and dependents.

PUBLIC HEARING

In accordance with Charter provisions, a public hearing was held in January 1965. Members, organizations and interested people can present their views, comments or complaints at this public hearing. Representatives from the alternate plans were present, the System's actuary presented his statistics and the President of the Health Service Board reviewed the year's activity. The Executive Director and Medical Advisor were in attendance to answer any questions relative to the cooperation of the System.

A mere handful of people appeared at the Board of Supervisors chambers in January, 1965, for the public hearing. Employee organizations thanked the Board for the efficient operation of the System and the progress made in the past year. The Board was asked to hold down costs if possible and not increase contribution rates. The passage of Proposition "F" in the November 1961 election indicated that the rates would probably be reduced due to the City taking over more of the costs.

AUDIT

As previously pointed out, the audit of the System was performed by the Controller's general audit staff. The report was complete and was rendered to the Board and to the Executive Director in record time. In the past the audit was delayed some six months and it has been the Board's policy to request that the Controller perform the audit for each fiscal year.

ACTUARIAL STUDY

An actuarial study is made each fiscal year by Campbell & Jamison, Inc., and is reviewed by the Health Service Board prior to its adoption and the Board's recommendations for payment of such contractual work. The actuarial report for the year 1964-1965 has been sent to your Honor for review.

SUGGESTIONS

That there be a closer cooperation between the Health Service System and other City departments as requested in prior reports. This is particularly noted so that closer cooperation will be forthcoming among timekeepers in various departments. Notices should be given the System when employees go on leave without pay, sick leave, resign or are suspended. It makes it difficult to obtain money from members when they are away from the job and particularly employees of the San Francisco Unified School District who go on maternity leave and never return to work. It is months after they leave on maternity leave, child care leave, etc., that the System is notified by the Minutes of the Board of Education. This money is lost to the Health Service System unless we can obtain the money from them prior to withdrawal of their retirement allowances. Suggest a representative from the Mayor's Office, the Chief Administrative Officer's representative and one or more from the SanFrancisco Unified School District sit down with the membership division of the Health Service System and work out formal details as to handling problems.

STATISTICS

The Health Service System has "lived within its original budget" with the following exception:

Revenues estimated for the fiscal year were exceeded by some $100,000 due to an increase in members not anticipated when the budget was prepared some eight months prior and also due to the fact that the contribution rates were estimated at too-low a basis. The increase and influx in limited tenure personnel who become eligible for benefits under the System has greatly increased the membership rolls. The additional realized revenue was made available by the Controller for the payment of medical claims and all claims incurred in the fiscal yea r will be paid out of moneys available during and at the close of the fiscal year.

CONCLUSION

Payments for the year 1964-1965 for medical claims approximated $5,020,000. Plan I (our own plan) payments were $2,001,000 for basic benefits and $800,000 for major medical premiums. Plan II, Kaiser Foundation Health Plan, received $1,950,000 and Plan IV, Bay Medical Group, received $96,000. The System receives more than $220,000 per year in direct payments over-the-counter. This is mainly for resigned members and their families and for retired members who are unable to pay through payroll deductions. Subrogation refunds approximate $25,000 per year, representing moneys recovered by the System where other medical coverage exists. This is only for Plan I, basic plan, as the Major Medical insurance cannot legally be subrogated.

All of the alternate plans (Plan II - Kaiser - Plan IV Bay Medical Group and Equitable Life Assurance Society, Major Medical carrier, have been paid for the fiscal year 1964-1965. We are, however, still paying Plan I basic benefit claims as many are incurred in May or June and will not be billed until July or later.

Plan III (Harris & Staff) was discontinued on June 30, 1964 due to the sudden death of Dr. Ray E. Harris.

Finally, the three remaining plans available in the Health Service System now provide active and retired employees of the City and County of San Francisco and of the San Francisco Unified School District with a wide choice of benefits for themselves and their families with premiums within the financial means of members of the System.

Respectfully submitted,

LYLE J. O'CONNELL,
EXECUTIVE DIRECTOR

August 9, 1965

ANNUAL REPORT OF THE HEALTH SERVICE SYSTEM 1965-1966

The Health Service System was established in March 1937 by Charter Amendment, and has been in full operation since October 1938. The constitutionality and legality of compulsory membership has been established in the courts. Throughout the years there has been a consistent pattern of progressive change in the System with improvements in benefits for members and their dependents, and necessary changes in contribution rates to meet the increasing costs of medical services.

The original plan provided for payment by the Health Service System for its members for services by doctors, laboratories, and hospitals. Commencing in 1947 three additional alternate plans of medical care were added: Plan I, its own Medical-Hospital Plan: Plan II, the Kaiser Health Foundation Plan; Plan III, the Ray E. Harris, M.D. and Staff Plan; and Plan IV, the Bay Medical Plan.

Charter Amendment Proposition 'K' was approved on November 5,1937 by the electorate and ratified on February 5,1938. This places in operation changes in the Health Service System which were the outgrowth of the efforts of the Committee to Improve the Health Service System and the 1956 Committee to Investigate the Health Service System appointed by His Honor, the Mayor, and the continued efforts of City employees and Employee Organizations dedicated to providing the active and retired employees of the City of San Francisco and their dependents with a comprehensive as well as sound Plan of medical and hospital benefits. These benefits provided them with protection against exigencies which can befall anyone at any time due to illness and or injury.

The Health Service Board that took office under the Revised Charter provisions immediately directed its attention to policy matters dealing with the re-organization of the System and with the benefits of the various Plans and their rate structure.

Again in November 1961 Proposition 'F' was submitted to the people and was passed by a substantial vote. This proposition provided for the City and County of San Francisco to absorb the administrative expense of the Health Service System which was formerly paid by employees and their dependents. An additional cost of coverage of retired members was also defrayed by the City in the passage of Proposition 'F'. This feature is unique in health coverage, whereby the retired member pays the same amount as the active working member although his costs are actuarially computed at three or four times as much.

THE HEALTH SERVICE BOARD

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Official, West Coast Manager of the Group Division of the Aetna Life Insurance Company; Mr. Thomas A. Toomey, Deputy City Attorney, representing Mr. Thomas M. O'Connor, City Attorney; Abraham Bernstein, M.D., practicing physician and surgeon, appointed by His Honor, the Mayor, as was Mr. Donald J. Mc Cook; Mr. Jack Morrison, Chairman of the Finance Committee of the Board of Supervisors; Mr. Patrick M. Breen, an employee member of the Recreation-Park Department; Mr. Thomas W. Mc Grath, Union executive and business agent of the Carmen's Union, Local 1380 A.F.L., an employee of the Municippl Railway.

REORGANIZATION

The Health Service Board continues to survey the needs for the System and has done so through a survey requested of the Controller. The financial records have been audited each fiscal year, the last audit performed by a staff from a certified public accounting firm, which when completed was rendered to the Health Service Board and distributed to His Honor, the Mayor and Board of Supervisors. Revised tables of organization have been prepared showing the positions authorized and new positions required, mainly due to the increased volume of medical claims and the strict costs accounting required by Proposition 'F' passed in the November 7,1961 election.

The System is continuously making progress under the new regime and has been paying medical bills weekly since October 1960. The Medical Advisor, Dr. James T. Fitzgerald, has been diligently reviewing claims and the Boar' is well pleased with Dr. Fitzgerald's appointment. Claims continue heavy not only as to the amounts involved, but as to the volumes handled. With some thousand or more warrants being sent out weekly, the filing situation is becoming cumbersome. Each processor is responsible for processing claims assigned by the Claims Supervisor and the filing is being accomplished by temporary help. It is contemplated that a full time file clerk is desirable to do this work and only then can someone be properly trained for this phase of the medical claims work.

MEMBERSHIP AND TABULATING DIVISION

There has been a complete reorganization of the membership division due to changes in personnel necessitated by the promotion of some and other leaving City service. The membership division has been revamped with the assistance of the Controller, due to the Electronic Data Processing program now installed. Certain phases of the work are being streamlined for the forthcoming EDP' program.

The Executive Director and Head Accountant have taken the indoctrination course in 'EDP ' and on April 1,1965 the entire Tabulating Division was moved to the Controller's office, merging with the EDP unit. It is contemplated during the ensuing fiscal year that these seven employees will be transferred to an 'EDP' payroll and the Health Service System will lo k to the unit as a

whole for results rather than to the employees of the System now assigned to 'EDP'.

The Health Service Board has completely rewritten the Rules and Regulations of the Health Service System, copies of which were sent to the Mayor's Office, the Board of Supervisors, and distributed to each and every City employee and retired member. Sign-up, or the opportunity to change from one plan to another within the System has been made more lenient. The month of May has been established as the only time changes can be made, with the exception of newly married spouses and new born children. The exemptions have been completely changed in the new Rules and Regulations, making them more realistic than the past. A complete file of insurance carriers is being maintained in the System's offices, making it easier for the Board to pass on an exemption than was possible in the past. The Executive Director has been given more authority to act for the Board on administrative matters and the Health Service Board is concerned only with matters of policy.

The Tabulating and IBM Division has been reorganized due to the EDP program and all records are maintained in the offices of the System where formerly they were divided between the System and the Controller's Payroll Section. This has resulted in the elimination of one deck of cards (some 20,000) which has speeded up the work of the System and will continue until the ultimate peak when 'EDP' takes over the complete program.

CLAIMS DIVISION

There exists a very close control in the claims division which has proven beneficial in the processing and payment of medical claims. A very definite improvement has been made in the past year in the evaluation of medical claims. The close cooperation with the San Francisco Medical Society, the Equitable Life Assurance Society,(our major medical carrier) has made the System's job easier and the quality of medical billing has definitely improved.

Major medical payments have continued to be substantial and more members and their dependents have written to the Board and to the System expressing their thanks for the prompt payment of such claims and for the Board's foresightedness in obtaining catastrophic coverage for members and their dependents.

PUBLIC HEARING

In accordance with Charter provisions, a public hearing was held in January 1966. Members, organization and interested people were there to present their views, comments and or complaints at the public meeting. Representatives from the alternate plans,: Plan II, Kaiser Foundation Health Plan; Plan IV,Bay Medical Group and the Equitable Life Assurance Society, has made the System's jor easier and they were in attendance at the public meeting to review the past year and prepare for the future. Our actuary, Mr. Juan B.Rael, Jr. presented his statistics and the President of the Health Service Board reviewed the activities of the year. The Executive Director and the Medical Advisor were both present to answer any questions relative to the operation of the System.

A mere handful of people appeared at the Board of Supervisors

committee room in January 1966, for the public hearing. Employee organizations thanked the Board for the efficient operation of the System and the progress made in the past year. The Board was asked to hold down costs if possible and not increase the contribution rates. The Board informed the organizations they would do their utmost to keep costs down but still had considered increasing benefits and explained to all present the plans for the integretion of the System with Federal (Medicare'. The passage of Proposition 'F' in November 1961 election indicated the rates would be held down due to the City assuming more of the costs.

AUDIT

As previously pointed out, the audit of the System was accompl'shed by an independent certified public accounting firm, employed by the Controller. The report, when completed was furnished to the Board and to the Controller and copies were sent to His Honor, the Mayor, and the Board of Supervisors, as well as the Grand Jury.

ACTUARIAL STUDY

An actuarial study was made by the firm of Campbell and Jamison, Inc., and was reviewd by the Health Service Board prior to its adoption and the Board's recommendations for payment of such contractual work. The actuarial report for the year 1965-1966 was sent to your Honor for review.

SUGGESTIONS

Notices should be fort coming from other departments when employees go on leave without pay, sick leave, resign or are suspended. It makes it difficult ot obtain money from members when they are away from the job and particularly employees of the San Francisco Unified School District who go on maternity leave, child care leave and never return to their positions. It is sometimes many months after they are away when we are notified by the Minutes of the School Board that they have resigned and in many cases the monies owed to the System are lost. Better communications are needed in these cases to protect the City on lost contributions and also to protect the member so that his or her medical claims can be paid.

STATISTICS

The Health Service System has 'lived within its original budget' with the following exceptions:

Revenues estimated by the System for the Fiscal Year were exceeded by some $250,000 due to an increase in members not anticipated when the budget was prepared some eight months prior and also due to the facts that contribution rates were estimated a too low a basis.The influx and increase in limited tenure personnel who become eligible for benefits under the System has greatly increased the membership rolls. The additional revenue was made available by the Controller for the

payment of medical bills incurred in the fiscal year and such claims as they come in will be paid out of these monies available for payment of fiscal year 1965-1966 claims although they will not be received until the ensuing fiscal year.

CONCLUSION

Payments for the year 1965-1966 for medical claims approximated $5,330,000.00. Plan I (our own plan) payments were over two and a quarter million dollars for basic benefits and $670,000 for major medical catastrophic benefits. Plan II, Kaiser Foundation Health Plan received in excess of two million dollars while Plan Iv,Bay Medical Group received over $100,000. The System receives over $200,000 in direct payments over the counter. This is mainly for resigned members and their dependents, retired members who are unable to pay through payroll deductions and for members on various types of leave without pay. Third party lien receipts exceed $25,000 per year, representing monies recovered by the System where other medical coverage exists. This is only for Plan I basic plan, as the major medical insurance cannot legally be subrogated.

The alternate plans,; Plan II,Kaiser Foundation Health Plan,; Plan IV, Bay Medical Group and Equitable Life Assurance Society, (major medical carrier) have been paid for the fiscal year 1965-1966. We are still paying for Plan I basic benefit claims as many are incurred in May or June and will not be billed until July or even later.

Finally, the three plans of the System available for members and their families provide the active and retired employees and their dependents a wide choice of benefits f within the the financial means of members of the System.

We have in the System in excess of 54,000 members and their dependents and with 6,000 of the retired members being over the age of 65 the System has been studying and reviewing the inception of Medicare and its effect on these members. The System feels that it is many steps in front of the average insurance carrier and is offering and has offered the retirees with Medicare an improved supplemental program.

Respectfully submitted,

LYLE J. O'CONNELL
EXECUTI VE DIRECTOR

August 9,1966

ANNUAL REPORT OF THE HEALTH SERVICE SYSTEM 1966-1967

The Health Service System was established in March 1937 by Charter Amendment and has been in full operation since October 1938. The constitutionality and legality of compulsory membership has been established in the courts. Throughout the years there has been a consistent pattern of progressive change in the System with improvements in benefits for members and their dependents and necessary changes in contribution rates to meet the increasing costs of medical services.

The original plan provided for payment by the Health Service System for its members for services by doctors, laboratories and hospitals. Commencing in 1947 three additional alternate plans of medical care were added: Plan I, its own Medical-Hospital Plan; Plan II, the Kaiser Health Foundation Plan; Plan III, the Ray E. Harris, M. D. and Staff Plan; and Plan IV, the Bay Medical Plan. Dr. Ray E. Harris, administrator of Plan III, died in 1964 and the members and dependents in that plan were given the opportunity of transferring to one of the other plans of the System.

Charter Amendment Proposition 'K' was approved on November 5, 1937 by the electorate and ratified on February 5, 1958. This places in operation changes in the Health Service System which were the outgrowth of the efforts of the Committee to Improve the Health Service System and the 1956 Committee to Investigate the Health Service System appointed by His Honor, the Mayor, and the continued efforts of City employees and Employee Organizations dedicated to providing the active and retired employees of the City of San Francisco and their dependents with a comprehensive as well as sound Plan of Medical and hospital benefits. These benefits provided them with protection against exigencies which can befall anyone at any time due to illness or injury.

The Health Service Board that took office under the Revised Charter provisions immediately directed its attention to policy matters dealing with the re-organization of the System and with the benefits of the various Plans and their rate structure.

Again in November 1961 Proposition 'F' was submitted to the people and was passed by a substantial vote. This proposition provided for the City and County of San Francisco to absorb the administrative expense of the Health Service System which was formerly paid by employees and their dependents. An additional cost of coverage of retired members was also defrayed by the City in the passage of Proposition 'F'. This feature is unique in health coverage, whereby the retired member pays the same amount as the active working member although his costs are actuarially computed at three or four times as much.

THE HEALTH SERVICE BOARD

The present Health Service Board is composed of the following:

Mr. Frank J. Collins, employee member, Department of Public Works; Mr. Donald J. McCook, Insurance Official, West Coast Manager of the Group Division of the Aetna Life Insurance Company; Mr. Thomas A. Toomey, Deputy City Attorney; Abraham Bernstein, M. D., practicing physician and surgeon, appointed by His Honor, the Mayor, as was Mr. Donald J. McCook; Mr. Jack Morrison, Chairman of the Finance Committee of the Board of Supervisors; Mr. Patrick M. Breen, an employee member of the Recreation-Park Department; Mr. Thomas W. McGrath, an employee member of the Municipal Railway and currently serving his second term as President of the Health Service Board.

Annual Report of the Public Service Review 1958-1959

The Public Service Review was established in March 1957 by Executive Amendment and has been in full operation since October 1957. The responsibility and legality of the Review has been established in the courts. Throughout the years there have been a consistent pattern of cooperative change in the Review with improvements in benefits for members and their dependents and necessary changes to contribution rates to meet the increasing costs of medical services.

The original plan provided for payment by the Public Service for its members for services by doctors, laboratories and hospitals. Commencing in 1957 there additional alternate plans or options were added: Plan I, the non-medical-hospital Plan; Plan II, the Cancer Detection Plan; Plan III, the Eye c. Service, M. C. and itself Plan; and Plan IV, the Eye Medical Plan. Dr. Eye S. Service, administrator of Plan III, died in 1958 and the members and dependents in that plan were given the opportunity of transferring to one of the other plans of the Review.

During Investment Proposition 'C' was approved on November 3, 1957 by the electorate and ratified on February 3, 1958. This places in operation savings in the Public Service Pension Fund and the 1958 Committee to Investigate the Public Service Pension Plan. The Report, and the continued efforts of City employees and Employee Organizations indicated to providing the service for retired employees of the City of San Francisco and their dependents with a comprehensive as well as sound plan of Medical and Hospital benefits. These benefits provided when with protection against catastrophic which one Public agrees at any time in illness or injury.

The Public Service Board that took office under the revised Charter provisions immediately directed its attention to public welfare dealing with the re-organization of the Bureau and with the benefits of the veterans Plans and their role effectively.

Again in November 1951 Proposition 'F' was submitted to the people and was passed by a considerable vote. This proposition provided for the City and County of San Francisco to assume the administrative expenses of the Public Service Plans which was formerly paid by employees and their dependents. In additional cost of coverage of retired members was also delayed by the City in the passage of Proposition 'F'. This feature is unique in Public coverage, whereby the retired member pays the same amount as the active working member although this costs are substantially accepted at times or four times as much.

The Public Service Board

The present Public Service Board is composed of the following:

Dr. Frank J. Collins, medical member, Department of Public Health; Dr. Donald J. McCool, Insurance Officer, and Daniel Murphy of the Deny Division of the Labor City Insurance Company; Mr. Theron L. Tuney, deputy City Attorney; Mr. D., Presidential position and attorney, appointed by the Mayor, as the Public Service Commission; Mr. Patrick T. Brown, as employee member of the Supervisors Department; Mr. Thomas E. McCarthy, as employee member of the Municipal Railway and currently serving his second term as President of the Public Service Board.

REORGANIZATION

The Health Service Board continues to survey the needs of the System and has done so through committees of the Board who report back to the full Board of its recommendations. The financial reports are audited daily by the Controller's staff and through the medium of the Electronic Data Processing System whereby each transaction must be cleared through programming. Revised tables of organization have been approved and show the positions of the System and the increase needed last year for the added responsibility in administering the Medicare supplementation to the city's retired members and their families.

The System is continuously making progress under the new regime and has been paying medical bills weekly since October 1960. The Medical Advisor, Dr. James T. Fitzgerald, has been diligently reviewing claims and the Board is well pleased with Dr. Fitzgerald's appointment. Claims continue heavy not only as to the amounts involved but as to the volumes handled. With some thousand or more warrants being sent out weekly, the filing situation is becoming cumbersome. Each processor is responsible for processing claims assigned by the Claims Supervisor and the filing is being accomplished by temporary help. The filing in the past year has been accomplished by the addition of Youth Program youngsters and the System has been most fortunate in getting high calibre personnel to perform this function.

MEMBERSHIP DIVISION

There has been a complete reorganization of the Membership Division necessitated by promotions and due to others leaving city service. The EDP (Electronic Data Processing) concept has streamlined certain phases of membership work and the program continues to make changes month by month. More liason work exists now between the Membership Division and the EDP concept and closer supervision is maintained over all membership programs.

The Executive Director, the Head Accountant and all Membership personnel have been subjected to courses and indoctrination in the Electronic Data Processing concept and are acquainted with certain coding and special work performed by that unit and have integrated records and programs with the EDP program changes.

TABULATING DIVISION

The Tabulating Division of the System has been physically transferred to the EDP concept in the Controller's Office in April 1965 and early in February 1966 the personnel were transferred to the Controller's payroll and removed from the System's rolls. The budget for the Fiscal Year 1967-1968 when being prepared showed an item for transfer of funds to the Controller for the Health Service System's share of the EDP budget, such as billings ~~is~~ accomplished on a monthly or quarterly basis to be determined at a later date by the Controller.

RULES AND REGULATIONS

The Health Service Board through its Rules and Regulations Committee has completely rewritten the Rules and Regulations for the System, copies of which were sent to the Mayor's Office, the Board of Supervisors and distributed to each and every City employee and retired member through their respective departments and organization.

The annual Sign-Up, or the opportunity to transfer from one plan of the System to another has been made more flexible. The exemptions from Health Service coverage has been streamlined and the rules now are more realistic. Additional improvements are on the agenda of the sub-committee for the near future to further streamline procedures making it simpler for the employees to claim their exemptions.

[illegible]

The Health Service Board continues to survey the needs of the Greater Bay Area in light of changing conditions at the Bayside Base in the Fall. Input is the responsibility. The Planning Projects are monitored daily by the Administrative Assistant and [illegible] the Director's office. Service Board [illegible] Bayside Base [illegible] Health Service Board [illegible] Bayside Base [illegible] Health Service Board [illegible] Bayside Base [illegible] Health

CLAIMS DIVISION

There exists a very close control in the claims division which has proven beneficial in the processing and payment of medical claims. A very definite improvement has been made in the past year in the evaluation of medical claims. The close cooperation with the San Francisco Medical Society, the Equitable Life Assurance Society (our major medical carrier) has made the System's job easier and the quality of medical billing has definitely improved.

Major medical payments have continued to be substantial and more members and their dependents have written to the Board and to the System expressing their thanks for the prompt payment of such claims and for the Board's foresightedness in obtaining catastrophic coverage for members and their dependents.

PUBLIC HEARING

In accordance with Charter provisions, a public hearing was held in January 1967. Members, organizations and interested people were there to present their views, comments and or complaints at the public meeting. Representatives from the alternate plans - Plan II, Kaiser Foundation Health Plan; Plan IV, Bay Medical Group and the Equitable Life Assurance Society, have made the System's job easier and they were in attendance at the public meeting to review the past year and prepare for the future. Our actuary, Mr. Juan B. Rael, Jr., presented his statistics and the President of the Health Service Board, reviewed the activities of the year. The Executive Director and the Medical Advisor were both present to answer any questions relative to the operation of the System.

A mere handful of people appeared at the Board of Supervisors committee room in January 1967 for the public hearing. Employee organizations thanked the Board for the efficient operation of the System and the progress made in the past year. The Board was asked to hold down costs of possible and not increase the contribution rates. The Board informed the organizations they would do their utmost to keep costs down but still had considered increasing benefits and explained to all present the plans for the integration of the System with Federal "Medicare". The passage of Proposition 'F' in November 1961 election indicated the rates would be held down due to the City assuming more of the costs.

ACTUARIAL STUDY

An actuarial study was made by the firm of Rael-Letson, and was reviewed by the Health Service Board prior to its adoption and the Board's recommendations for payment of such contractual work. The actuarial report for the year 1966-1967 was sent to your Honor for review.

SUGGESTIONS

Notices should be forthcoming from other departments when employees go on leave without pay, sick leave, resign or are suspended. It makes it difficult to obtain money from members when they are away from the job and particularly employees of the San Francisco Unified School District who go on maternity leave, child care leave and never return to their positions. It is sometimes many months after they are away when we are notified by the Minutes of the School Board that they have resigned and in many cases the monies owed to the System are lost. Better communications are needed in these cases to protect the City on lost contributions and also to protect the member so that his or her medical claims can be paid.

[illegible]

There remains a very close contact in the College tradition which has proved beneficial in the production of medical students. A very faithful [illegible] may look back on the past year in the preparation of medical studies. The close [illegible] with the Dispensary Medical Society, the [illegible] life remembers [illegible] Dr. Major Medical Inspector) has made the College's [illegible] of medical training the satisfactory [illegible].

Other medical matters have proceeded to be satisfactorily and have covered many departments here written on the Board but in the course [illegible] for the annual journal of such duties and for the Deputy's [illegible] ing in training for students for their [illegible].

[illegible]

In accordance with Doctor [illegible], a public meeting was held in January 1921. Sunday, [illegible] and interested people were there to record their views [illegible] and to [illegible] at the public meeting. [illegible] the electors [illegible] Plan 17, Colour Printing [illegible] Plan 17, any [illegible] which was [illegible] light [illegible] Bangor, here were the [illegible] [illegible] to [illegible] to [illegible] at the public meeting to [illegible] [illegible] and [illegible] [illegible]. Our [illegible], Mr. [illegible] J. [illegible], [illegible], [illegible] [illegible] [illegible]

STATISTICS

The Health Service Board has 'lived within its original budget' with the following exceptions:

Revenues estimated by the System for the Fiscal Year were exceeded by some $280,000 due to (1) an increase in membership not anticipated when the budget was prepared (2) a decided increase in dependents and families through marriages, births and additions in the annual sign-up period and (3) payment of delinquent contributions by those on leaves without pay and on terminal leaves. The additional revenue was made available by the Controller for payment of medical bills incurred in the fiscal year and which will be paid out of this available money in the ensuing fiscal year. This is a continuing operation for the System and other health plans whereby medical bills are not received in the period of the medical service but in ensuing months. This keeps the accounting of funds accurate and statistics can reflect the true status of revenues and expenditures by charging the medical payments against the period of service.

CONCLUSION

Payments for the year 1966-1967 for medical claims approximated $4,900,000.00. Plan I (city plan) payments were over $2,000,000.00 for the basic benefits and $660,000.00 for major medical catastrophic benefits. Plan II, Kaiser Health Plan received in excess of $2,100,000.00 while Plan IV, Bay Medical Group, received over $100,000.00. The System receives in excess of $200,000.00 in direct payments over the counter representing resigned members, their dependents, retired members who are unable to pay by means of payroll deduction and for members of various types of leaves without pay. The Third Party Liens accounted for some $25,000.00 representing monies recovered by the System where other medical coverage exists on accident cases. This is only for Plan I basic, as Major Medical insurance cannot be legally subrogated. It is contemplated in the next fiscal year that a change will be made in the Rules and Regulations deleting the Third Party Lien rule as it works a hardship on certain members and is not in the best interests of the members to continue and does hurt the Health Service System's public image.

The alternate plans - Plan II, Kaiser Foundation Health Plan, Plan IV, Bay Medical Group and Equitable Life Assurance Society (major medical carrier) have been paid for the fiscal year 1966-1967. We are still paying for Plan I basic benefit claims as many are incurred in May or June and will not be billed until July or even later.

Finally, the three plans of the System available for members and their families provide the active and retired employees and their dependents a wide choice of benefits within the financial means of members of the System.

We have in the System in excess of 56,000 members and their dependents and with some 5,000 members being over the age of 65 the past year have found many changes necessary to offer supplemental benefits to those in Medicare. Many changes in the coverage under all plans of the System were made due to the inception of the Federal Medicare and the Board is continually reviewing the benefits under the System to incorporate supplemental benefits to Medicare at the lowest possible premium. The Board at this time has changed the supplementation to Medicare which revised plan will be explored and commented on in the forthcoming Annual report for the Fiscal Year 1967-1968.

Respectfully submitted,

LYLE J. O'CONNELL,
EXECUTIVE DIRECTOR

August 8, 1967

Resolution

The Public Service Board has fixed salaries for municipal budget data the following schedule:

Vacancies calculated by the figures for all fiscal. This area prevailing by some $180,000 for is (3) we insurance to necessarily but notwithstanding some the helped may planning. (2) a another insurance to requirements and function training maintenance, during new additions to the annual citizens station may. (3) payment of contingent contributions by funds no leave actions pay and be benefit income. The eligibility revenue has such available to the Corporation for payment of medical title insurance to the fiscal that for notice will be will be at file available money to the meeting time. July to a centralized operation for the different and other month plan recorded facility are not provided is the period of the medical service not to medical section. This these the maintenance of these revenues and eligibility one reflects the five choice of revenues and negotiations by charging the medical physician agendas the period of meeting.

Allocation

Estimate for the year [illegible] the medical claims approximated $4,700,000 to five 3 city plan, payments have been $4,000,000.00 for the basic allocation and $800,000.00 for major medical coverage benefits. Plan 12, Water Section the available is common of $1,200,000.00 until Item 12, May Medical Group, received for $100,000.00. The Items receive [illegible] medium of $401,000.00 to direct payment and the overall operations including Water Department, Other Departments, retired employees who are inside to pay by means of payroll deduction and for members of various types of income related pay. The Union first items recovered for more $45,000.00 representing monies employed by the county water medical coverage subsidy to medical funds. This to only for Plan 2 basis, as major medical insurance remains to legally mandated. It is expected claims to the week Fiscal year that a study will be made to see these and negotiations during the Board fiscal year but it is being a possible as medical medical and is not to the next [illegible] of the company to continue and term over the Health Insurance Trustee's public funds.

The alternate plans - Item 17, Income Resolution [illegible] Plan 17, May Medical Group, and Supplemental Dental [illegible] medical service) have been paid for the Board year [illegible]. We are still paying the Plan 2 basis benefit claims as many are insurance to the as the time and will be will be [illegible] later.

Finally, the three plans of the [illegible] maintain the monthly and total facility [illegible] the service and medical employee and their insurance a job choice of enabling the Personnel needs of county of the System.

In June 1a the [illegible] is monthly of $7,000 medical and their Supplemental and with $7,000 medical total with the and of 30 the year the have fiscal year claims [illegible] is also experience] [illegible] is these to [illegible]. Their children to the [illegible] county and claims of the System were many the as the [illegible] of the Medical [illegible] and the claims to [illegible] providing the Township to the System to [illegible] [illegible] [illegible] to [illegible] [illegible] [illegible]

C O P Y

ANNUAL REPORT OF THE HEALTH SERVICE SYSTEM 1967-1968

The Health Service System was established in March 1937 by Charter Amendment and has been in full operation since October 1938. The constitutionality and legality of compulsory membership has been established in the courts. Throughout the years there has been a consistent pattern of progressive change in the System with improvements in benefits for members and their dependents and necessary changes in contribution rates to meet the increasing costs of medical services.

The original plan provided for payment by the Health Service System for its members for services by doctors, laboratories and hospitals. Commencing in 1947 three additional alternate plans of medical care were added: Plan I, its own Medical-Hospital Plan; Plan II, the Kaiser Health Foundation Plan; Plan III, the Ray E. Harris, M.D. and Staff Plan; and Plan IV, the Bay Medical Plan. Dr. Ray E. Harris, administrator of Plan III, died in 1964 and the members and dependents in that plan were given the opportunity of transferring to one of the other plans of the System.

Charter Amendment Proposition 'K' was approved on November 5, 1957 by the electorate and ratified on February 5, 1958. This places in operation changes in the Health Service System which were the outgrowth of the efforts of the Committee to improve the Health Service System and the 1956 Committee to investigate the Health Service System appointed by His Honor, the Mayor, and the continued efforts of the City employees and employee organizations dedicated to providing the active and retired employees of the City of San Francisco and their dependents with a comprehensive as well as sound plan of medical and hospital benefits. These benefits provided them with protection against exigencies which can befall anyone at any time due to illness or injury.

The Health Service Board that took office under the Revised Charter provisions immediately directed its attention to policy matters dealing with the reorganization of the System and with the benefits of the various Plans and their rate structure.

Again in November 1961 Proposition 'F' was submitted to the people and was passed by a substantial vote. This proposition provided for the City and County of San Francisco to absorb the administrative expense of the Health Service System which was formerly paid by employees and their dependents. An additional cost of coverage of retired members was also defrayed by the City in the passage of Proposition 'F'. This feature is unique in health coverage, whereby the retired member pays the same amount as the active working member although his costs are actuarially computed at three or four times as much.

THE HEALTH SERVICE BOARD

The present Health Service Board is composed of the following:

Mr. Frank J. Collins, employee member, Department of Public Works; Mr. Donald J. McCook, Insurance Official, West Coast Manager of the Group Division of the Aetna Life Insurance Company; Mr. Thomas A. Toomey, Deputy City Attorney; Abraham Bernstein, M.D., practicing physician and surgeon, appointed by His Honor, the Mayor, as was Mr. Donald J. McCook; Mrs. Dorothy von Beroldingen, Chairman of the Finance Committee of the Board of Supervisors; Mr. Patrick M. Breen, and employee member of the Recreation-Park Department; Mr. Thomas W. McGrath, an employee member of the Municipal Railway. Dr. Abraham Bernstein is currently serving as President of the Board.

[illegible report on the Public Health Service Hospital]

The Health Service Hospital was inaugurated in March, 1877 in [illegible] by the then to full operation since October 1878. The result [illegible] and liability of [illegible] [illegible] to [illegible] to the [illegible]. Therefore [illegible] [illegible] [illegible]

REORGANIZATION

The Health Service Board continues to survey the needs of the System and has done so through committees of the Board who report back to the full Board of its recommendations. The financial reports are audited daily by the Controller's staff and through the medium of the Electronic Data Processing System whereby each transaction must be cleared through programming. Revised tables of organization have been approved and show the positions of the System and the increase needed last year for the added responsibility in administering the Medicare supplementation to the city's retired members and their families.

The System is continuously making progress under the new regime and has been paying medical bills weekly since October 1960. The Medical Advisor, Dr. James T. Fitzgerald, has been diligently reviewing claims and the Board is well pleased with Dr. Fitzgerald's appointment. Claims continue heavy not only as to the amounts involved but as to the volumes handled. With some thousand or more warrants being sent out weekly, the filing situation is becoming cumbersome. Each processor is responsible for processing claims assigned by the Claims Supervisor and the filing is being accomplished by temporary help. The filing in the past year has been accomplished by the addition of Youth Program youngsters and the System has been most fortunate in getting high calibre personnel to perform this function.

MEMBERSHIP DIVISION

There has been a complete reorganization of the Membership Division necessitated by promotions and due to others leaving city service. The EDP (Electronic Data Processing) concept has streamlined certain phases of membership work and the program continues to make changes month by month. More liason work exists now between the Membership Division and the EDP concept and closer supervision is maintained over all membership programs.

The Executive Director, the Head Accountant and all Membership personnel have been subjected to courses and indoctrination and in the Electronic Data Processing concept and are acquainted with certain coding and special work performed by that unit and have integrated records and programs with the EDP program changes.

TABULATING DIVISION

The Tabulating Division of the System was physically transferred to the EDP concept in the Controller's Office in April 1965 and early in February 1966 the personnel were transferred to the Controller's payroll and removed from the System's rolls. The budget for the Fiscal Year 1967-1968 when being prepared showed an item for transfer of funds to the Controller for the Health Service System's share of the EDP budget, such as billing accomplished on a monthly or quarterly basis to be determined at a later date by the Controller.

RULES AND REGULATIONS

The Health Service Board through its Rules and Regulations Committee has completely rewritten the Rules and Regulations for the System, copies of which were sent to the Mayor's Office, the Board of Supervisors and distributed to each and every city employee and retired member through their respective departments and organization.

The annual Sign-Up, or the opportunity to transfer from one plan of the System to another has been made more flexible. The exemptions from Health Service coverage has been streamlined and the rules now are more realistic. Additional improvements are on the agenda of the sub-committee for the near future to further stroamline procedures making it simpler for the employees to claim their exemptions.

[illegible]

The Health Service Executive is aiming for a peak of [illegible] and has plans in place to [illegible] the [illegible] to [illegible] of its [illegible] procedures. The Minister for [illegible] is also [illegible] the [illegible] and [illegible] [illegible] [illegible]

CLAIMS DIVISION

There exists a very close control in the claims division which has proven beneficial in the processing and payment of medical claims. A very definite improvement has been made in the past year in the evaluation of medical claims. The close cooperation with the San Francisco Medical Society, the Equitable Life Assurance Society (our major medical carrier) has made the System's job easier and the quality of medical billing has definitely improved.

Major medical payments have continued to be substantial and more members and their dependents have written to the Board and to the System expressing their thanks for the prompt payment of such claims and for the Board's foresightedness in obtaining catastrophic coverage for members and their dependents.

PUBLIC HEARING

In accordance with Charter provisions, a public hearing was held in January 1969. Members, organizations and interested people were there to present their views, comments and or complaints at the public meeting. Representatives from the alternate plans - Plan II, Kaiser Foundation Health Plan; Plan IV, Bay Medical Group and the Equitable Life Assurance Society, have made the System's job easier and they were in attendance at the public meeting to review the past year and prepare for the future. Our actuary, Mr. Juan B. Rael, Jr., presented his statistics and the President of the Health Service B oard, reviewed the activities of the year. The Executive Director and the Medical Advisor were both present to answer any questions relative to the operation of the System.

A mer handful of people appeared at the Board of Supervisors committee room in January 1968 for the public hearing. Employee organizations thanked the Board for the efficient operation of the System and the progress made in the past year. The Board was asked to hold down costs if possible and not increase the contribution rates. The Board informed the organizations they would do their utmost to keep costs down but still had considered increasing benefits and explained to all present the plans for the integration of the System with Federal "Medicare". The passage of Proposition 'F' in November 1961 election indicated the rates would be held down due to the City assuming more of the costs.

ACTUARIAL STUDY

A actuarial study was made by the firm of Rael-Letson, and was reviewed by the Health Service Board prior to its adoption and the Board's recommendation for payment of such contractual work. The actuarial report for the year 1967-1968 was sent to your Honor for review.

SUGGESTIONS

Notices should be forthcoming from other departments when employees go on leave without pay, sick leave, resign or are suspended. It makes it difficult to obtain money from members when they are away from the job and particularly employees of the San Francisco Unified School District who go on maternity leave, child care leave and never return to their positions. It is sometimes many months after they are away when we are notified by the Minutes of the School Board that they have resigned and in many cases the monies owed to the System are lost. Better communications are needed in these cases to protect the City on lost contributions and also to protect the member so that his or her medical claims can be paid.

[illegible]

[illegible] a very close contact in the clubs [illegible] with the German [illegible] in the pre-meeting and personal or medical clubs. A more helpful [illegible] [illegible] [illegible] in the next year in the evaluation of medical clubs. [illegible] [illegible] [illegible]

STATISTICS

The Health Service Board has 'lived within its original budget' with the following exceptions:

Revenues estimated by the System for the Fiscal Year were exceeded due to (1) an increase in membership not anticipated when the budget was prepared (2) a decided increase in dependents and families through marriages, births and additions in the annual sign-up period and (3) payment of delinquent contributions by those on leaves without pay and on terminal leaves. The additional revenue was made available by the Controller for payment of medical bills incurred in the fiscal year and which will be paid out of this available money in the ensuing fiscal year. This is a continuing operation for the System and other health plans whereby medical bills are not received in the period of the medical service but in ensuing months. This keeps the accounting of funds accurate and statistics can reflect the true status of revenues and expenditures by charging the medical payments against the period of service.

CONCLUSION

Payments for the year 1967-1968 for medical claims approximated $5,700,000.00. Plan I (city plan) payments were over $2,000,000.00 for the basic benefits and $760,000.00 for major medical catastrophic benefits. Plan II, Kaiser Health Plan received in excess of $2,600,000.00 while Plan IV, Bay Medical Group, received over $123,000.00. The System receives in excess of $200,000.00 in direct payments over the counter representing resigned members, their dependents, retired members who are unable to pay by means of payroll deduction and for members of various types of leaves without pay. The Third Party Liens accounted for some $10,000.00 representing monies recovered by the System where other medical coverage exists on accident cases. This is only for Plan I basic, as Major Medical insurance cannot be legally subrogated. Third Party Liens were discontinued in July in the best interests of the System and its membership.

The alternate plans - Plan II, Kaiser Foundation Health Plan, Plan IV, Bay Medical Group and Equitable Life Assurance Society (Major Medical carrier) have been paid for the fiscal year 1967-1968. We are still paying for Plan I basic benefit claims as many are incurred in May or June and will not be billed until July or even later.

Finally, the three plans of the System available for members and their families provide the active and retired employees and their dependents a wide choice of benefits within the financial means of members of the System.

We have in the System in excess of 60,000 members and their dependents and with some 5,000 members being over the age of 65 the past year have found many changes necessary to offer supplemental benefits to those in Medicare. Many changes in the coverage under all plans of the System were made due to the inception of the Federal Medicare and the Board is continually reviewing the benefits under the System to incorporate supplemental benefits to Medicare at the lowest possible premium. The Board at this time has changed the supplementation to Medicare which revised plan will be explored and commented on in the forthcoming Annual Report for the Fiscal Year 1968-1969

Respectfully submitted,

LYLE J. O'CONNELL
EXECUTIVE DIRECTOR

August 23, 1968

[illegible]

The Board is pleased with the [illegible] with the [illegible] management

[illegible] to the Trustees for the Period That Have Elapsed [illegible] to
[illegible] as Trustees is satisfactory [illegible] the Income for [illegible]
[illegible] a Decline [illegible] and [illegible] [illegible] [illegible] [illegible]
[illegible] in the Ground Already Paid and [illegible] [illegible] [illegible]
[illegible] [illegible] [illegible] [illegible]

ANNUAL REPORT OF THE HEALTH SERVICE SYSTEM 1968-1969

The Health Service System was established in March 1937 by Charter Amendment and has been in full operation since October 1938. The constitutionality and legality of compulsory membership has been established in the courts. Throughout the years there has been a consistent pattern of progressive change in the System with improvements in benefits for members and their dependents and necessary changes in contribution rates to meet the increasing costs of medical services.

The original plan provided for payment by the Health Service System for its members for services by doctors, laboratories and hospitals. Commencing in 1947 three additional alternate plans of medical care were added: Plan I, its own Medical-Hospital Plan; Plan II, the Kaiser Health Foundation Plan; Plan III, the Ray E. Harris, M.D. and Staff Plan; and Plan IV, the Bay Medical Plan. Dr. Ray E. Harris, administrator of Plan III, died in 1964 and the members and dependents in that plan were given the opportunity of transferring to one of the other plans of the System.

Charter Amendment Proposition 'K' was approved on November 5, 1957 by the electorate and ratified on February 5, 1958. This places in operation changes in the Health Service System which were the outgrowth of the efforts of the Committee to improve the Health Service System and the 1956 Committee to investigate the Health Service System appointed by His Honor, the Mayor, and the continued efforts of City employees and employee organizations dedicated to providing the active and retired employees of the City of San Francisco and their dependents with a comprehensive as well as sound plan of medical and hospital benefits. These benefits provided them with protection against exigencies which can befall anyone at any time due to illness or injury.

The Health Service Board that took office under the Revised Charter provisions immediately directed its attention to policy matters dealing with the reorganization of the System and with the benefits of the various Plans and their rate structure.

Again in November 1969 Proposition 'F' was submitted to the people and was passed by a substantial vote. This proposition provided for the City and County of San Francisco to absorb the administrative expense of the Health Service System which was formerly paid by employees and their dependents. An additional cost of coverage of retired members was also defrayed by the City in the passage of Proposition 'F'. This feature is unique in health coverage, whereby the retired member pays the same amount as the active working member although his costs are actuarially computed at three or four times as much.

The Health Service Board was requested early in December 1968 to consider the inclusion of California Physicians' Service. Several hundred employees signified their desire to have this new program, and it was adopted by the Health Service Board to become effective July 1, 1969. Some six thousand are now enrolled in the new plan.

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Life Insurance Company; Mr. Thomas A. Toomey, Deputy City Attorney; Abraham Bernstein, M.D., practicing physician and surgeon, appointed by His Honor, the Mayor, as was Mr. Donald J. McCook; Mrs. Dorothy von Beroldingen, Chairman of the Finance Committee of the Board of Supervisors; Mr. Patrick M. Breen, an employee member of the Recreation-Park Department; Mr. Thomas W. McGrath, an employee member of the Municipal Railway. Dr. Abraham Bernstein is currently serving as President of the Board for the second term.

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The annual Sign-Up, or the opportunity to transfer from one plan of the System to another has been made more flexible. The exemptions from Health Service coverage

have been streamlined and the rules now are more realistic. Improvement was made late in 1968 to streamline the exemption program, making it more simpler for members to declare their exemptions.

CLAIMS DIVISION

There exists a very close control in the claims division which has proven beneficial in the processing and payment of medical claims. A very definite improvement has been made in the past year in the evaluation of medical claims. The close cooperation with the San Francisco Medical Society, the Equitable Life Assurance Society (our major medical carrier) has made the System's job easier and the quality of medical billing has definitely improved.

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A mere handful of people appeared at the Board of Supervisors committee room in January 1969 for the public hearing. Employee organizations thanked the Board for the efficient operation of the System and the progress made in the past year. The Board was asked to hold down costs if possible and not increase the contribution rates. The Board informed the organizations they would do their utmost to keep costs down but still had considered increasing benefits and explained to all present the plans for the integration of the System with Federal "Medicare". The passage of Proposition 'F' in November 1961 election indicated the rates would be held down due to the City assuming more of the costs.

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the San Francisco Unified School District who go on maternity leave, child care leave and never return to their positions. It is sometimes many months after they are away when we are notified by the Minutes of the School Board that they have resigned and in many cases the monies owed to the System are lost. Better communications are needed in these cases to protect the City on lost contributions and also to protect the member so that his or her medical claims can be paid.

STATISTICS

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CONCLUSION

Payments for the year 1968-1969 for medical claims approximated $6,200,000.00. Plan I (City plan) payments were over $2,000,000.00 for the basic benefits and $850,000.00 for major medical catastrophic benefits. Plan II, Kaiser Health Plan received in excess of $2,900,000.00 while Plan IV, Bay Medical Group, received over $127,000.00. The System receives in excess of $200,000.00 in direct payments over the counter representing resigned members, their dependents, retired members who are unable to pay by means of payroll deduction and for members of various types of leaves without pay.

The alternate plans - Plan II, Kaiser Foundation Health Plan, Plan IV, Bay Medical Group and Equitable Life Assurance Society (major medical carrier) have been paid for the fiscal year 1968-1969. We are still paying for Plan I basic benefit claims as many are incurred in May or June and will not be billed until July or even later.

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Respectfully submitted,

September 11, 1969

LYLE J. O'CONNELL
EXECUTIVE DIRECTOR

SF

ANNUAL REPORT OF THE HEALTH SERVICE SYSTEM

FISCAL YEARS 1969-1970

The Health Service System was established in March 1937 by Charter Amendment and has been in full operation since October 1938. The constitutionality and legality of compulsory membership has been established in the courts. Throughout the years there has been a consistent pattern of progressive change in the System with many improvements in benefits for members and their dependents and the necessary changes in contribution rates to meet the increasing costs of medical services.

The original plan provided for payment by the Health Service System for its members by doctors, laboratories and hospitals. Commencing in 1947 three additional plans for medical care were added: Plan II, Kaiser Foundation Health Plan: Plan III, Ray E. Harris, administrator of the Plan, who subsequently died in 1964 and the members of that plan were afforded the opportunity of transfering to any of the existing plans of the System. The third plan to be added in 1947 was Bay Medical Group, known as Plan IV. These added medical plans rounded out a well diversified medical coverage along with our own Plan I, known as the City plan.

Charter Amendment proposition 'K' was approved by the voters on November 5,1957 and ratified on February 5,1958. This charter amendment places changes in the System and were the outgrowth of the efforts of the Committee to improve the System and in 1956 a Committee was appointed by His Honor, the Mayor to investigate the Health Service System. The Committee, the members, the employee organizations dedicated themselves to provide the active and retired employees of the City and County of San Francisco and their dependents with a comprehensive as well as sound plan of medical and hospital benefits. These benefits provided them with protection against emergencies and other exigencies which can befall anyone at any time due to illness or injury.

The Health Service Board that took office under the Revised provisions immediately directed its attention to policy matters dealing with the re-organization of the System and with the benefits of the various plans and their rate structures.

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The Health Service Board was requested early in December 1968 to consider the inclusion of California Physicians' Service as a new plan. Several hundred employees signified their desire to have this new medical program, and it was adopted by the Health Service Board to become effective July 1,1969. Some six thousand are now enrolled in the new plan as of this reporting date.

THE HEALTH SERVICE BOARD

The present Health Service Board is composed of the following: Mr. Frank J. Collins, employee member, Department of Public Works: Mr. Thomas A. Toomey, Deputy City Attorney, representing the City Attorney, Thomas M. O'Connor,:Abraham Bernstein, M.D. a practicing physician and surgeon, appointed by His Honor, the Mayor: Mrs. Dorothy von Beroldingen, Chairman of the Finance Committee of the Board of Supervisors: Mr. Patrick M. Breen, an employee of the Recreation and Park Department, newly elected President of the Board on May 15,1970, replacing Dr. Abraham Bernstein, who served two terms as President: Mr. Thomas W. Mc Grath, an employee member, representing the Municipal Railway. Mr. Donald J. Mc Cook, an insurance official of the Aetna Life Insurance Company served until May 1970, an appointee of His Honor, the Mayor: and was replaced at a later date by Robert E. Hassing,an insurance executive, appointed by His Honor the Mayor for a five year term.

REORGANIZATION

The Health Service Board continues to survey the needs of the System and has done so through its committee structure. The various committees meet at the call of the chair, and report back to the full Board at the regular or special Board meetings. The financial reports are audited daily by the Controller's staff and through the media of the Data Processing Center each transaction must be approved and cleared through comprehensive programming. Revised tables or organization have been approved and show the position of the System and the increases need to operate with the added responsibility of administering the Medicare supplementation to the city's retired members and their families.

The System is continuously making progress under the new regime and has been paying medical bills on a weekly basis since October 1960. The Medical Advisor, Dr. James T. Fitzgerald, has been diligently reviewing medical claims and the Board is well pleased with Dr. Fitzgerald's appointment. The volume of claims has considerably increased in the past year both as to the number of claims and the dollar amount. With some thousand or more warrants being sent out weekly, the filing situation in the office is becoming quite cumbersome. Each processor is responsible for the processing of claims assigned by the Claims Supervisor and filing is accomplished by means of temporary help and or the use of overtime funds. Filing inx the past year was augmented by usingYouth Program younsters and the System has been most fortunate in obtaining high calibre personnel to perform and learn this function.

MEMBERSHIP DIVISION

There has been a complete reorganiaztion of the Membership Division necessitated by promotion and due to other employees leaving city service. The Data Processing Center has helped to streamline certain membership functions and each year new inovations are put into practice. A weekly screening committee meeting is held with the personnel of the Data Processing Center to be briefed and to make recommendation for the successful operation of the electronic data as pertains to the Health Service System.

The Executive Director,Head Accountant and all of the staff of the Membership Division have been subjected to courses and indoctrination in the Data Processing program and are acquainted with certain codings and special work performed by that unit and have integrated records and programs with the Electronic Data changes.

RULES AND REGULATIONS

The Health Service Board through its Rules and Regulations Committee, has completely re-written the Rules and Regulations for the System, copies of which were sent to the Mayor's Office, the Board of Supervisors and distributed to each department and organization. In addition thereto, some forty thousand (40,000) cards were printed, both sides, excerpting main rules of the System for handy reference. These cards fit neatly in purses and wallets and are readily accessible for immediate review.

The open period or annual Sign-up, the opportunity to transfer from one plan of the System to another, to declare an exemption or to lift an exemption in effect and enter a plan has this year been made more flexible. Exemptions are now handled on a more realistic basis. Once granted by the Board it is delcared permanent and remains in effect until lifted, which can only be done during the annual sing-up, May of each year. There is one excpetion to the exemption rule, that of an exemption for religious reasons, which under the Charter must be renewed annually. However, this does not present a problem for there are only thirty one of these types out of a total of 2,100 exemptions.

CLAIMS DIVISION

There exists a very close control in the claims division which has proven beneficial in the processing and payment of medical claims. The process clerks are being moved about in the claims division and this is an ideal situation from an accounting stand-point. They dont become too familiar with certain patients files and this procedure was started early in the year, prepartory to an audit by an outside Certified Accounting firm. This closesness in claims activity is further supplemented by an excellent working arrangement with the Equitable Life Assurance Society, our carrier for the Major Medical portion of our program. The liason with the San Francisco Medical Society and the California Medical Association is one with mutual benefits and we call on both of these organizations from time to time for advice and referral.

Payment of claims under the Major Medical or catastrohic portion of Plan I have continued to be substantial and more members and their dependents have written to the Board and to the staff expressing their thanks for the prompt payment of such claims and for the Board's foresightedness in obtaining this coverage for them. The claims are unusually higher this past year as the Board had reduced the corridor of deductible from the $100 deductible to one of $75. The Board also changed the life-time limit in May to $40,000 from the present $20,000, however this will not be put into effect until July 1,1970.

PUBLIC HEARING

In accordance with Charter provisions, a public hearing was held in January 1970. Members, organizations and interested people were present to offer comments, criticisms, and or complaints at the public meeting. Representatives from the alternate plans, namely Kaiser Health Plan, California Physicians' Service, Bay Medical and from the Equitable Life Assurance Society were in attendancex at the meeting to review the past year and preview the year ahead. They were available for questions, however after the Board reviewed the year in detail and the actuary made his remarks the meeting adjourned early as those present seemed to be satisfied with the operations of the System.
The Executive Director was called on to answer general questions and more detailed data was referred to him at his staff location.

Employee organizations thanked the Board for the efficient operation of the staff of the System and the Board for considering many of the improvements recommended. The main discussion was to keep costs down if possible, however it was the opinion of all present that medical costs were soaring and with benefits being improved the members could look for a substantial increase in all plans.

ACTUARIAL STUDY

An actuarial study was made by the firm of Rael-Letson, and was reviewed by the Health Service Board prior to its adoption and the Blard's recommendation for payment of such contractual work. The actuarial report for the year 1969-1970 was sent to your Honor for review.

SUGGESTIONS

The Health Service Board has considered for some time the taking over of the Major Medical program either in total or in part. The retention and costs of operating the major medical amount to some $60,000 annually in premiums. Should the Board feel it would be profitable and possible from a premium savings outlook, it would need the assurance of the Mayor and the Board of Supervisors that additional positions would be established, with desks and typewriters for each at a cost of less than half of what is now being paid for handling of claims by an independent insurance carrier.

The Board is also contemplating a dental program and could handle the payment of claims at the same time as other medical claims, again with the same proviso that it would be less expensive to handle this program ourselves than to contract the program out to a carrier. This would require an additional processor or two and would be an added improvement in the coverage for employees and their dependents.
Better communications between departments has been a sore spot for years and a central office for mailing and for publishing of memorandums, changes of address of employees would greatly help not only the Health Service System but eliminate a 'bottle-neck' that now exists in all departments of city government.

It is sometimes months before the System is informed of deaths, lay-offs, military duty and leaves without pay and is difficult when members are in arrears in dues to get full medical coverage.

STATISTICS

The Health Service System has done well to live within its budget. The revenues estimated when the budget was prepared was exceed by actual revnue by some $40,000. However at the same time the claims to be paid were under-estimated by some $100,000 due to the increase in members and families in the year past, not anticipated when the budget was prepared and the higher cost of medical coverage brought about by strikes and hospital costs going sky-high. Sufficient reserve is maintained to pay claims in the ensuing year that were attributable to 1969-1970. The System must maintain such a reserve for its insurance policy is unique in that claims that are up to a year old will be paid whereas most insurance companies cut off at three months and most at six, none going for a full years medical coverage from inception of services.

CONCLUSION

Payments for the year 1969-1970 for medical claims approximated $7,560,000. Plan I (city plan) payments were over $2,190,000 for the basic benefits and $806,000 for major medical catastrophic benefits. Base benefits increased by 24% while major medical premiums decreased, mainly due to the improvements in the plan in the basic phase rather than the major medical concept. Plan II, Kaiser Health Plan contract payments totalled over $3,400,000, up $500,000 from last year: Plan III, California Physicians Service contraxt payments represented an outlay of $1,025,000 in the plans first year of operation as a city plan and Bay Medical, Plan IV, was a total of $145,000 an increase of some $18,000 over last year. The System has in excess of 800 members who pay direct month by month, not currently being on a city payroll or haveing resigned and paying by check monthly for benefits. The exact amount taken in by direct pay is not known as this is now all infiltrated throught the Electronic Data unit of the Controller.

The four plans of the System made available for members and their families provide the active and retired employees and their dependents with a wide choice of benefits within the financial means of the members of the System. Great strides have been made in the programming of benefits for retired members in Medicare and the Board is continuously reviewing legislation to further aid these members who gave dedicated years to city government.

There is at present in the System in excess of 65,000 members and dependents, an increase of 2,500 over that of last year. There are 6,300 members and or dependents over the age of 65, eligible for federal Medicare and the past year has seen many changes in coverage, rules and regulations and payment of claims with 'Medicare' in operation. Many more hours of reviewing 'co-ordination of benefits' with 'Medicare and other types of insurance has increased the work load of the staff in the Medical Division.

The Health Service System is not presently involved in capital programs.

The goal for the future is (1) handling our own major medical program (2) iniating a dental program (3) other improvements in medical coverage. This cannot be accomplished without additional help and equipment. Plans must be made and approved prior to budget time by the Mayor and Board of Supervisors or a program cannot be attempted.

ANNUAL REPORT OF THE HEALTH SERVICE SYSTEM

FISCAL YEAR ENDING JUNE 30,1971

The Health Service System was established in March 1937 by Charter Amendment and has been in full operation since October 1938. The constitutionality and legality of compulsory membership has been established in the courts. Throughout the years there has been a consistent pattern of progressive change in the System with many improvements in benefits for members and their dependents and the necessary changes in contribution rates to meet the increasing costs of medical services.

The original plan provided for payment by the Health Service System for its members by doctors, laboratories and hospitals. Commencing in 1947 three additional plans for medical care were added: Plan II, Kaiser Foundation Health Plan: Plan III Ray E. Harris, Administrator of the Plan: who subsequently died in 1964 and the members of that plan were afforded the opportunity of transfering to any of the existing plans of the System. The third plan to be added in 1947 was the Bay Medical Group, known as Plan IV. These added medical plans rounded out a well diversified medical coverage along with our own Plan I, known as the City Plan.

July 1, 1969 California Physicians Service was added and referred to as Plan III. The service rendered by this plan was superior during the fiscal year ending June 1970. The plan ran smoothly until February of 1971 when the administrators of that plan asked the Board to increase rates by 56% effective March 1,1971. This of course, being impossible under the contract between the city and the California Physicians Service, was the beginning of plans by the Board to seek a replacement for the plan. The Board officially notified the heads of the California Physicians Service that effective June 30,1971 the contract would be terminated and not up for renewal.

The contract with the Equitable Life Assurance Society, the Major Medical carrier for the city plan number I was up for renewal for the ensuing fiscal year and the rates for renewal quoted by their New York office was for an increase of 35%. Again the Board and its actuary felt this was not justified and sought a replacement for the carrier. This being accomplished, the Board officially notified the Equitable Life Assurance Society that the contract would be terminated as of June 30,1971.

Charter Amendment proposition 'K' was approved by the voters on November 5, 1957 and ratified on February 5,1958. This charter amendment places changes in the System and they were the outgrowth of the efforts of the Committee to improve the System and in 1956 a Committee was appointed by His Honor, the Mayor, to investigate the Health Service System. The Committee, the members, the employee organizations dedicated themselves to provide the active and retired employees of the City and County of San Francisco and their dependents with a comprehensive as well as sound plan for medical and hospital benefits. These benefits provided them with protection against emergencies and other exigencies which can befall anyone at any time due to illness or injury.

The Health Service Board that took office under the Revised provisions immediately directed its attention to policy matters dealing with the re-organization of the System and with the benefits of the various plans and their rate structures.

Again in November 1964, proposition 'F' was submitted to the people and was passed by a substantial vote. This proposition provided for the City and County of San Francisco to absorb the administrative expenses of the Health

Service System which was formerly paid by employees and their dependents. An additional cost of coverage of retired employees was also defrayed by the City in the passage of proposition 'F'. This feature is unique in health coverage, whereby the retired member pays the same amount as the active member, who is still working, although his costs are actuarially computed at three or four times as much.

The Health Service Board was requested early in December 1968 to consider the inclusion of California Physicians Service as a plan and had several hundred employees sign such a petition as provided in the rules and regulations. The remarks concerning the addition of this plan are outlined in paragraph (3) of page (1) of this report.

THE HEALTH SERVICE BOARD

The present Health Service Board is composed of the following: Mr. Patrick M. Breen, employee member, Recreation-Park Department:: Mr. Thomas A. Toomey, Deputy City Attorney, representing the City Attorney, Thomas M. O'Connor: Abraham Bernstein, M.D., a practicing physician, appointed by his Honor, the Mayor: Mrs. Dorothy von Beroldingen, Chairman of the Finance Committee of the Board of Supervisors: Mr. Daniel A. Mc Donagh, employee member, representing the Controller's office: Mr. Harry Paretchan, employee member, representing the Fire Department and Mr. Robert E. Hassing, an insurance executive, an appointee of His Honor, the Mayor. Mr. Patrick M. Breen is serving as President of the Board, and at this writing is serving his second term as President.

REORGANIZATION

The Health Service Board continues the survey started by means of a committee structure to improve the coverage. The various committees of the Board meet at the call of the chair, and report back to the full Board at the regular meetings or special Board meetings as called. The financial reports are audited daily by the Controller's staff and through the media of the Data Processing Center each transaction must be approved and cleared through comprehensive programming. Revised tables of organization have been approved and show the position of the System and the increases needed to operate with the added responsibility of administering the Federal Medicare supplementation afforeded to the city's retired members and their families eligible for the Federal 'Medicare' program.

The System is continuously making progress under the new regime and has been paying its medical bills on a weekly basis since early in 1960 without a single weekly delay. Our Medical Advisor, Dr. James T. Fitzgerald, has been diligently reviewing the medical claims and the Board is well pleased with Dr. Fitzgerald's appointment. The volume of claims has considerably increased in the past year both as to the number of claims and the dollar amount. There are in excess of a thousand warrants mailed each week, and the filing situation in the offices are becoming quite cumbersome. Each medical processor is responsible for the processing of claims assigned by the Claims Supervisor and the filing is accomplished by means of temporary help or by the use of overtime funds or both. Filing in the past has been augmented by the use of Youth Program youngsters and the System has been most fortunate to have several capable and willing workers. In the past year however, no program has been available and filing has bogged down somewhat.

MEMBERSHIP DIVISION

There has been a complete reorganization of the Membership Division necessitated by promotions and due to other employees leaving city service. The Data Processing Center has helped to streamline certain membership functions and each year new inovations are put into practice. A weekly screening committee meeting is held with the personnel of the Center and recommendations come out of that Committee to make it a successful operation as pertains to the Health Service System.

The Executive Director, Head Accountant and all of the staff of the Membership Division have been subjected to courses and indoctrination in the work of the Data Processing Center and are now acquainted with the codings and special work performed in that unit and the records of the System have been integrated with records and programs of the Data Center.

RULES AND REGULATIONS

The Health Service Board through its Rules and Regulations Committee has completely re-written the Rules and Regulations for the System. Copies have been sent to the Mayor's Office, Board of Supervisors and distributed to all departments. In addition thereto, excerpts from the Rules and Regulations, were printed on a handy wallet sized card and a second printing of 40,000 has just been distributed.

The open season, May of each year, considered for sign-up, exemptions, changes and additions has been made more flexible. Members enrolled in the California Physicians Service were not required to come in to the office to make changes if they transferred into the Blue Cross Hospital program, which supplanted the CPS program in July 1971. This meant some 6,000 members were not required to come into the office unless a change was to be made into another plan.

Exemptions are handled in a more realistic manner and now are declared permanent until the member decides to lift the exemption in May to go into a plan of the System. Certain exceptions are made also for those out of the county or out of the United States and returning the a plan of their choice when returning. This takes care of teachers on leave as well as retired members who are unable to use the Federal 'Medicare' program out of the continental limits of the United States.

CLAIMS DIVISION

There exists a very close control in the claims division which has been proven beneficial in the processing and payment of medical claims. The medical personnel are shifted about in the division and this proves ideal from an accounting stand-point. They dont become too familiar with certain membership files, and this procedure was inaugurated early in the preceding year, preparatory to the audit made by an outside Certified Public Accounting firm. This must have proved most satisfactory for in the past year funds have not been made available for audits by an outside source. The Equitable Life Assurance Society has had its auditors in the System's offices on several occasions to audit the records to ascertain whether payments are being made according to the contracts and that the employees and their dependents are bonafide.

The System's Director works very closely with the California Medical Society and the San Francisco Medical Society and the mutual understanding of the System's problems and that of the doctor has been satisfactorily worked out as to usage, over-usage and current fee structures.

Payments for major medical or catastrophic claims under city Plan I are most substantial and more members and their dependents have written to the Board and staff expressing their thanks for the prompt payment, and consideration when they are desperately needed. The members continue to thank the Board for its foresigatedness in obtaining and giving to the employees this major medical coverage. The claims continue higher each year both as to the dollar amount per claims and the number of individuals who find it necessary to file for catastrophic insurance. As mentioned in paragraph (3) Page (1) of this report the Equitable Life Assurance Society's contract was terminated on June 30,1971, such coverage now being handled by the Phoenix Mutual Life Insurance Company of Hartford, Connecticut. The corridor has been reduced from $100 (deductible) to that of $75.00 and the coverage is now up to $50,000, the increase from last years $40,000. With the new carrier in July 1971, it means all members are entitled to a brand new $50,000. Payments recorded in the past ten years under Equitable Life Assurance Society are disregarded in the new lifetime coverage. Early in the formitive years the major medical coverage was $10,000 and then $20,000 with a restriction on the increase to $2,500 per year and now it becomes $50,000 with now strings attached.

PUBLIC HEARINGS

In accordance with Charter provisions, a public hearing was held in January 1971. Members, organizations, and interested members and visitors were present to offer comments, suggestions, complaints and criticisms at the public hearing held in the Supervisor's Committee meeting room. Representatives from the alternate plans, namely, Kaiser Health Plan, Bay Medical Group, California Physicians Service, Blue Cross Hospital Plan, Equitable Life Assurance Society and Phoenix Mutual Life Insurance Company were in attendance at the meeting to review the past years experience and to preview the coverage and rates for the ensuing year. They were introduced and made available for questions by the Board and by any person in attendance at this public hearing. The President of the Board, Patrick M. Breen, reviewed the year in operation and the System's independent actuary, Juan B. Rael, Jr commented on the rates, coverage and operation of the System in the year past. The meeting was adjourned early as those in attendance seemed to be satisfied with the operation of the System.

The Executive Director was called upon to answer general questions and more detailed questions were referred to him for answering, which could be accomplished at the System's office during office hours.

The employee organizations thanked the Board for the efficient operation of the staff of the System and the Board for considering many of the improvements recommended. The main discussion was to keep the costs of medical coverage down for the employee paid for most of the medical coverage, the city putting in only 30% of the cost for the employee and none for the dependents. With the new benefits recommended, which would be reviewed by the Board and the actuary, costs were bound to increase. Alternate plans, such as Kaiser, etc, had notified the Board there would be a premium increase for the new year.

ACTUARIAL STUDY

The actuarial study made by our independent actuary, Juan B.Rael, Jr. was reviewed by the Board prior to its adoption and the Board's recommendation for payment of fees. The actuarial report for the year 19701971 was sent to your honor, as well as to the Board of Supervisors

SUGGESTION

The Health Service Board has longed considered the possibility of taking over

the Major Medical program either in part or en toto. The rates for this coverage have increased each year and the Board feels that the System can do a most satisfactory job in handling all phases of medical coverage, but will need to add at least four individuals to the staff. There will be a decided savings to the System in retention monies and will also reflect a savings in city funds. The retention and costs of operating the major medical coverage under an insurance carrier amounts to $75,000 annually. The hiring of four employees plus necessary equipment would amount to $30,000 initially and savings which could help to reduce members costs.

The Board and its Executive Director have met with your Honor and it was felt that for the current fiscal year this was not feasible but would be looked upon next year for possible inclusion in the System's budget. The Board is also contemplating a dental program and could handle the dental claims as an independent plan or adjust the major medical out put to include both dental and medical bills. In event the dental program is added this would require two employees to handle the increased work load.

A much better communication is needed between city departments and this has been a sore spot for years. A central office for mailing , for publishing and distributing memorandums, changes of addressed on employees, would greatly help out not only the System but would eliminate the 'bottleneck' that now exists in all departments of city government.

STATISTICS

The Health Service System has done well to live within its budget. The estimated revenues were exceeded by actual revenues in the amount of $50,000. This meant that the increased rates of contributions, plus the addition of new employees not determined at budget preparation time brought in more revenues than provided for in the estimated budget. Claims to be paid and paid were consequently under estimated, as the excess actual revenue over that estimated was needed to pay medical claims for members and dependents. The System must maintain a reserve for its insurance as the System's actuary suggests to the Board that at least five months reserve is needed. The System is unique in that it will honor medical claims up to a year from date of medical service, while most insurance carriers limit payments to six months or even a lesser time.

CONCLUSION

Payments for the year 1970-1971 for medical claims approximated over $9,000,000 (nine million dollars). City plan number 1 accounted for $2,500,000 in basic benefits and $1,000,000 in major medical premiums. Kaiser Health Plan was paid $3,900,000: California Physicians Service $1.5 million dollars and Bay Medical Group, the smallest of the plans was paid $160,000. Plan I base benefits increased $400,000 and Major Medical out go was increased by $100,000 in premiums. Kaiser premiums increase one-half million dollars and California Physicians Service premiums increased the same amount (1.5).Bay Medical Group being the smallest increased approximately $20,000 for the year.

The plans made available to members and their families provides the active and retired with a wide choice of benefits within the financial means of the members of the System. Great strides have been made in the programming of benefits for retired members in 'Medicare' and the Board is continuously reviewing legislation to further aid these retirees who gave dedicated years to city government.

There is at present some 66,000 members and dependents, an increase of 2,500 over last year. There are 8,000 retirees, many of whom are over the age of 65 and eligible for Federal 'Medicare' and the past year has seen many changes in coverage, rules, regulations, and payment of claims with the Federal 'Medicare' program in operation.

Many hours of reviewing are necessary due to the 'dual insurance concept' wherein the technicality exists as to who is the prime carrier, secondary carrier and how do the bills get paid. It is the idea of dual insurance that most of the bill be paid, either by one insurance company or the other as premiums are being paid for more than one policy which should be honored.

The Health Service System is not presently involved in Capital programs.

The goal of the Health Service Board is:

(1) Handling our own major medical program

(2) Initiating a dental program for employees and dependents.

(3) Improvements in medical coverage.

(4) Contracting with the San Francisco Medical Society to set guide lines in this area for doctor's fees, hospital costs and to regulate the increased costs of medical care.

These goals cannot be accomplished with additional personnel and in the case of dealing with the San Francisco County Medical Assocation, a contract which would cost approxiately $70,000 per year but should in the long run reduce the costs of medical care well beyond that figure.

Plans are again being made to submit such facts and figures to your Honor in the new budget for consideration and to meet with the Finance Committee of the Board of Supervisors to apprise them once again of these pertinent facts, which were discussed early this year.